

FINANCE COMMISSION OF TEXAS
AUDIT COMMITTEE MEETING

Friday, October 20, 2017

8:00 a.m.

Finance Commission Building
William F. Aldridge Hearing Room,
2601 N. Lamar Blvd.
Austin, Texas 78705

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.

- A. Review and Approval of Minutes of the August 18, 2017, Audit Committee Meeting
- B. Audit Committee Review of Agencies' Activities
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' August 31, 2017 Investment Officer Reports
 - 1. Texas Department of Banking
 - 2. Department of Savings and Mortgage Lending
 - 3. Office of Consumer Credit Commissioner
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2017 Fourth Quarter Financial Statements
 - 1. Texas Department of Banking
 - 2. Department of Savings and Mortgage Lending
 - 3. Office of Consumer Credit Commissioner
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Readoption of the Investment Policies for:
 - 1. Department of Savings and Mortgage Lending
 - 2. Office of Consumer Credit Commissioner
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Amount of Funds the Department of Savings and Mortgage Lending will Contribute to the Texas Financial Education Endowment Fund
- G. Report on Activities Relating to the Texas Financial Education Endowment Fund

NOTE: The Audit Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Accessibility: Under the Americans with Disabilities Act, the Finance Commission will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

- H. Discussion of and Possible Vote to Award Final Selection of Organizations, to Receive Grant Funds in an Aggregate Amount Not to Exceed \$250,000 From the Texas Financial Education Endowment Fund

NOTE: The Audit Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

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**MINUTES OF THE
AUDIT COMMITTEE MEETING
Friday, August 18, 2017**

The Audit Committee of the Finance Commission of Texas convened at 8:00 a.m. on August 18, 2017, with the following members present:

Audit Committee Members in Attendance:

Molly Curl, Chairman
Hector Cerna
Lori McCool

Additional Members in Attendance:

Stacy G. London
Bob Borochoff
Phillip Holt
Will Lucas
Matt Moore
Paul Plunket
Vince E. Puente

Audit Committee Chairman Curl announced that there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present.

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the June 16, 2017, Audit Committee Meeting	Lori McCool made a motion to Approve the Minutes of the June 16, 2017 Audit Committee Meeting. Hector Cerna seconded and the motion passed.	0:10 start of discussion 0:41 vote
B. Audit Committee Review of Agencies' Activities	No Action Required.	0:56 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' May 31, 2017 Investment Officer Reports	Lori McCool made a motion to Recommend that the Finance Commission Approve the Agencies' May 31, 2017 Investment Officer Reports. Hector Cerna seconded and the motion passed.	04:11 start of discussion 7:46 vote

D.	Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2017 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	Lori McCool made a motion to Recommend that the Finance Commission Approve the Texas Department of Banking's 2017 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Hector Cerna seconded and the motion passed.	08:08 start of discussion 15:51 vote
E.	Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's 2017 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates	Lori McCool made a motion to Recommend that the Finance Commission Approve the Office of Consumer Credit Commissioner's 2017 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzales and Associates. Hector Cerna seconded and the motion passed.	16:30 start of discussion 29:29 vote
F.	Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2017 Third Quarter Financial Statements	Hector Cerna made a motion to Recommend that the Finance Commission Approve the Agencies' 2017 Third Quarter Financial Statements. Lori McCool seconded and the motion passed.	30:03 start of discussion 37:44 vote
G.	Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2018 Operating Budgets	Lori McCool made a motion to Recommend that the Finance Commission Approve the Agencies' Fiscal Year 2018 Operating Budgets. Hector Cerna seconded and the motion passed.	38:12 start of discussion 1:19:56 vote
H.	Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	1:19:56 start of discussion
I.	Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Approve an Amount for the Upcoming 2018-19 Grant Cycle for the Texas Financial Education Endowment Fund	Lori McCool made a motion to Recommend that the Finance Commission Approve the amount of \$250,000 for the upcoming 2018-2019 Grant Cycle for the Texas Financial Education Endowment Fund. Hector Cerna	1:20:09 start of discussion 1:28:56 vote

	seconded and the motion passed.	
J. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Readoption of the Investment Policy for the Texas Department of Banking	Lori McCool made a motion to Recommend that the Finance Commission Approve the Readoption of the Investment Policy for the Texas Department of Banking. Hector Cerna seconded and the motion passed.	1:29:24 start of discussion 1:31:40 vote

There being no further business of the Audit Committee of the Finance Commission of Texas, Molly Curl adjourned the meeting at 9:32 a.m. (1:31:52) *on the audio file*)

/s/Molly Curl

Molly Curl, Audit Committee Chair
Finance Commission of Texas

/s/Charles G. Cooper

Charles G. Cooper, Commissioner
Texas Department of Banking

/s/Anne Benites

Anne Benites, Executive Assistant
Finance Commission of Texas

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Texas Department of Banking
Outstanding Audit Findings/Recommendations Report as of October 2017

Auditor	State Auditor’s Office	Audit Report Date
Audit Area	SDSI Audit of the Department of Banking	November 2016
Recommendation	Status Update	
User rights access were not always appropriate	Completed – The individual discrepancies noted in the 2016 audit were corrected in December 2016. In September 2017, the next annual security audit was completed. The audit was enhanced this year by having the Information Security Officer meet with each Director to assist in the review of the access levels of their staff. Discrepancies noted were researched and resolved.	
Auditor	Garza Gonzalez and Associates	Audit Report Date
Audit Area	Bank Examination Audit	August 2017
Recommendation	Status Update	
Strengthen controls to adhere to Examiner Bulletin XB-2016-02.	Completed – Administrative Memorandum 2015 was updated effective September 1, 2017 to require a reconciliation of the “Report Worthy” comments in the Summary of Findings to the Report of Examination during the Report review process. Controls are now in place to ensure the reconciliation is performed.	



Risk Management Program Review Report

Texas Department of Banking

September 1, 2017

Conducted By:
Caleb Walker, Risk Manager





State Office of Risk Management

300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.STATE.TX.US

September 1, 2017

Mr. Charles G. Cooper
Banking Commissioner
Department of Banking
2601 N. Lamar Blvd.
Austin, TX 78711-2188

Agency #451

Re: Risk Management Program Review

Dear Mr. Cooper:

The State Office of Risk Management (SORM) conducted a Risk Management Program Review (RMPPR) with the Department of Banking (DOB) on August 29, 2017. The consultation was conducted under authority of Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state agencies with the development and implementation of comprehensive risk management programs that meet Risk Management for Texas State Agencies (RMTSA) guidelines.

SORM reviewed and discussed the following workers' compensation insurance data and claims with DOB during the consultation.

The following items were reviewed and discussed during the visit:

- The SORM 200 data for FY16 was reviewed for completeness and accuracy.
- The agency's Annual Report, COOP Plan, Emergency Procedures Manual, Safety & Health Manual, and Personnel Manual were reviewed.
- The Risk Evaluation and Planning System Questions (REPS) were reviewed. The questionnaire was filled out and no omissions were found.
- The agency has had 3 accepted claims since September 1, 2012 totaling \$10,798.91.
- The most recent state fire inspection report was reviewed and DOB had corrected the one violation identified.

Noteworthy observations made during this review include the following:

- Housekeeping was exemplary throughout the entire agency.
- The agency maintains an AED and first aid kit. Both are located in highly visible areas.
- DOB does an exceptional job implementing and correcting all recommendations made by SORM and continue to do an exemplary job mitigating risks.
- DOB identified some daisy chained power strips then reorganized the power strips, in addition DOB secured metal floor strips on the stairwell that become loose overtime, the staff should be commended on fixing these issues promptly.

During this visit, SORM discussed and verified completion of recommendations generated as a result of previous Risk Management Program Review (RMPR). DOB fully implemented the following recommendation, which is now **closed**:

14-01-01 Policies/Procedures: Indoor Air Quality Plan

14-01-02 Risk Management: Policies/Procedures

14-01-03 Safety: Vending Machines

14-01-04 Safety: Electrical

14-01-05 Safety: Occupancy Load Posting

14-01-06 Risk Management: Death Investigation

There were no new recommendations generated as a result of this visit.

Please accept my gratitude for the assistance and cooperation of Mr. Sami Chandli and the rest of the DOB staff during my visit. If you have any questions, please feel free to contact me at caleb.walker@sorm.texas.gov.

Sincerely,



Caleb Walker
Risk Manager
State Office of Risk Management

cc: Ms. Stephanie Newberg, Deputy Commissioner
Mr. Sami Chadli, Director of Administrative Services
Mr. Vance Ivie, Staff Services Officer
Ms. Lori Wright, Director of Human Resources





Important Dates & Resources

[SORM Training Calendar](#)

[SORM Safety Videos](#)

[Workers' Compensation Healthcare Network](#)

[State Risk Management Employment Opportunities](#)

SORM Contact Information

www.sorm.state.tx.us

(512) 475-1440

Michelle Ganaden	Director of Risk Management	512-936-2942	<u>Michelle.ganaden@sorm.texas.gov</u>
Shelley Crain	Statewide Continuity Coordinator	512-936-1477	<u>shelley.crain@sorm.texas.gov</u>
Iris Moore	Senior Insurance Manager	512-936-1561	<u>Iris.moore@sorm.texas.gov</u>
Michelle Hammett	Training Coordinator	512-936-1537	<u>michelle.hammett@sorm.texas.gov</u>

Department of Savings and Mortgage Lending
Outstanding Audit Issues Report as of September 30, 2017

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Management Information Systems	7/25/2016
Recommendation	Status Update	
Conduct MIS Risk Assessment	<i>In progress.</i> The risk assessment began in July 2017.	
Establish audit trails	<i>In progress.</i> The Department is working with its contracted managed service provider to establish and implement this recommendation.	

Auditor	Garza/Gonzalez	Audit Report Date
Audit Area	Thrift Examinations	5/5/2017
Recommendation	Status Update	
Update workpapers numbering scheme	<i>Completed.</i> A new exam bulletin has been issued to address the change.	

Auditor	State Auditor's Office	Audit Report Date
Audit Area	SDSI	5/16/2017
Recommendation	Status Update	
Develop, document, and implement a secondary review process of annual financial report (AFR)	<i>Completed.</i> Process developed, documented, and implemented.	

Office of Consumer Credit Commissioner
Outstanding Audit Findings Report as of 8/31/2017

Auditor	Texas Department of Public Safety		Audit Report Date
Audit Area	Storage and security of criminal history record information		Mar-16
Finding	Status Update		
Unsubscribe from CHRI who no longer have active or inactive license	Completed. The agency completed another large unsubscription and has implemented procedures for routine unsubscriptions during each year.		
Auditor	Garza/Gonzales & Associates		Audit Report Date
Audit Area	TFEE Cash Equivalent Account Reconciliations		Jun-17
Finding	Status Update		
Strengthen controls to ensure grantees are reimbursed only for allowable costs	Completed. Staff has been retrained to prevent non-allowable costs from being reimbursed. The unallowable cost has been returned to the Grant fund.		
Auditor	Garza/Gonzales & Associates		Audit Report Date
Audit Area	Registrations		Jul-17
Finding	Status Update		
Calculate performance measure in accordance with established methods	Completed. The procedure for reporting the performance measure has been modified to ensure the reporting of the total count of registrations.		
Auditor	Garza/Gonzales & Associates		Audit Report Date
Audit Area	Report of Examination Review		Jul-17
Finding	Status Update		
Strengthen controls to comply with the established goal.	In progress. While audit testing revealed one examination that was reviewed after the target guideline, the OCCC has worked to improve the review process. The tools and controls in the ACE system will further support performance in this area. Further, management has filled a vacancy to assist with the review of examinations to meet the established goal. Additionally, the procedures and guidelines for examination review are being modified and will be finalized by the end of October.		

Trust Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
June 1, 2017 to August 31, 2017

<u>Book</u> <u>Book Value at May 31, 2017</u>	<u>Interest Income</u> <u>Received</u>	<u>Trustee</u> <u>Fees Paid</u>	(1) <u>Other</u> <u>Deductions</u>	(2) <u>Other</u> <u>Additions</u>	<u>Book/Market</u> <u>Value at August 31, 2017</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Accrued Interest</u> <u>on CDs</u>
\$1,303,386.66	\$3,824.64	\$85.40	\$2,250.00	\$40,765.87	\$1,345,641.77	--	--	\$908.18

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$382,474.58	9/1/2017	1.00%	
First Bank and Trust of Childress (CD)	\$240,000.00	12/11/2017	1.00%	\$131.50
State Bank of Texas (CD)	\$240,000.00	12/16/2017	1.35%	\$115.40
Lone Star State Bank of West Texas	\$241,925.77	1/5/2018	1.50%	\$661.28
Pilgrim Bank (money market)	<u>\$241,241.42</u>	n/a	0.85%	
Subtotal	\$1,345,641.77			

(1) Other deductions include: (a) restitution in the amount of \$2,250.00 paid to consumer L. Bass related to the sale of an illegal PFC sold by James E. Lister.

(2) Other additions include: (a) \$100.00 restitution received from Mr. Dan L. Brothers; (b) \$3,075.00 restitution received from Mr. Kevin Keeney; (c) \$300.00 restitution received from Mr. Marc Gonzalez; (d) \$27,359.89 related to restitution checks that were returned as undeliverable regarding El Paso Mission Funeral Home accounts; (e) \$2,430.98 restitution payment received from James E. Lister; and (f) \$7,500.00 restitution received from Timothy Gaffney.

Note: * These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

Prepared By: /s/Jesus Saucillo

Date: 9/13/2017

Reviewed By: /s/Stephanie Newberg

Date: 9/13/2017

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
June 1, 2017 to August 31, 2017

<u>Book</u> <u>Book Value at May 31, 2017</u>	<u>Interest Income</u> <u>Received</u>	<u>Trustee</u> <u>Fees Paid</u>	<u>Other</u> <u>Deductions</u>	(1) <u>Other</u> <u>Additions</u>	<u>Book/Market</u> <u>Value at August 31, 2017</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Accrued Interest</u> <u>on CDs</u>
\$477,711.89	\$1,273.44	\$65.73			\$478,919.60			\$132.45
<u>Account Balances at Trustee/Depositories</u>								
					\$233,288.05	9/1/2017	1.00%	
					<u>\$245,631.55</u>	7/14/2018	1.20%	\$132.45
				Subtotal	\$478,919.60			

Note: * These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

Prepared By: /s/Jesus Saucillo

Date: 9/13/2017

Reviewed By: /s/Stephanie Newberg

Date: 9/13/2017

Department of Banking Quarterly Investment Report
 June 1, 2017 to August 31, 2017

Seized Prepaid Funeral Funds	Book Value at May 31, 2017	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at August 31, 2017	Trustee	Investment Type	Maturity Date	Interest Rate
None										
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

Notes:

The above investments are in compliance with the investment strategies of Administrative Memorandum 2027.

Prepared By: /s/Jesus Saucillo

Date: 9/13/2017

Reviewed By: /s/Stephanie Newberg

Date: 9/13/2017

Department of Savings and Mortgage Lending
Mortgage Recovery Trust Fund

Investment Officer Report as of August 31, 2017

Current Investments/Securities as of August 31, 2017

Purchase Date	Beginning Market Value	Ending Market Value	Accrued Interest - Estimated	Interest Rate	Maturity Date	Description	Fin. Institution
9/8/2015	245,809.01	247,464.27	55.34	0.35%	9/8/2017	CD - 24 months	Austin Capital SSB
10/2/2015	250,000.00	250,000.00	4,854.17	1.00%	10/2/2017	CD - 24 months	Cypress Bank SSB
12/13/2015	243,813.70	243,813.70	4,034.10	0.95%	12/13/2017	CD - 24 months	First Fed Community Bank, SSB
12/15/2015	250,000.00	250,000.00	4,383.68	1.01%	12/15/2017	CD - 24 months	Spirit of Texas, SSB
2/4/2016	250,000.00	250,000.00	1,011.11	0.70%	2/4/2018	CD - 24 months	Third Coast Bank SSB
10/9/2016	245,000.00	245,000.00	980.00	1.00%	4/9/2018	CD - 18 months	Capital Bank
4/17/2016	250,000.00	250,000.00	298.96	1.05%	4/17/2018	CD - 24 months	South Star Bank SSB
6/15/2016	250,000.00	250,000.00	1,923.75	1.14%	6/15/2018	CD - 24 months	TrustTexas Bank SSB
8/4/2016	240,000.00	240,990.13	81.33	0.45%	8/4/2018	CD - 24 months	First Bank SSB
10/18/2016	250,000.00	250,000.00	753.47	1.75%	10/18/2018	CD - 24 months	Dalhart Federal Savings
1/31/2017	250,000.00	250,000.00	322.92	1.50%	1/31/2019	CD - 24 months	Horizon Bank SSB
4/7/2017	240,000.00	240,930.47	584.66	1.56%	4/7/2019	CD - 24 months	TBK Bank
5/5/2017	240,000.00	240,000.00	354.00	0.45%	5/5/2019	CD - 24 months	Angelina Savings Bank
6/14/2017	250,000.00	250,000.00	532.74	1.00%	6/14/2019	CD - 24 months	Pioneer Bank SSB
Totals	3,454,622.71	3,458,198.57	20,170.23				

Department of Savings and Mortgage Lending

Mortgage Recovery Trust Fund

Investment Officer Report as of August 31, 2017 (continued)

Fund Position for the Quarter Ended August 31, 2017		
Beginning Cash Balance as of June 1, 2017	\$	502,165.17
Receipts		
Licensees' Remittances	19,164.00	
Interest from CDs	4,036.28	
Interest from overnight repos	1,188.22	
CD - Maturity	250,000.00	
Total Received	\$	274,388.50
Disbursements		
CD - Purchase	(250,000.00)	
Excess Transfer to Operating Fund	(6,281.01)	
Bank Fees and Charges	(81.03)	
Total Disbursed	\$	(256,362.04)
Total Cash Balance in Trust and Treasury		520,191.63
Reserve		
Reserved for Potential Payment of Claims w/in 90 days	\$	(28,471.16)
Available Cash Balance as of August 31, 2017		491,720.47
 Total Amount of Investments		 3,458,198.57
Accrued Receivables		20,960.23
Accrued Payables		(19.34)
Fund Balance as of August 31, 2017	\$	3,999,331.09

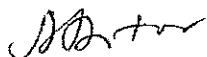
Claim Payment History		
Fiscal Year	Total Amount \$	# of Payments
2000-2008	234,555.90	12
2009	100,000.00	10
2010	147,033.52	16
2011	22,225.00	5
2012	1,300.00	1
2013	1,465.13	1
2014	-	0
2015	1,039.50	1
2016	-	0
2017	8,566.00	2
Totals	516,185.05	48

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Compliance:

The Department's Investment Policy has been followed.



Antonia Antov, Investment Officer

9/17/2017

Date



Steven O'Shields, Investment Officer

9/17/2017

Date

Office of Consumer Credit Commissioner
Fiscal Year 2017 - 4th Quarter

Residential Mortgage Loan Originator Recovery Trust Fund #3008

<u>Beginning Balance at 06/01/17</u>	<u>Additions / *(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at 08/31/17</u>	<u>Current Interest Rate</u>
\$ 141,607.93	\$ 1,150.00	\$ 332.36	\$ (44.24)	\$ 143,046.05	1.0%

Investment Officer: Christina Cuellar Hoke

Date: 10/9/17

Reviewed By: [Signature]

Date: 10.9.17

Note: These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the agency's investment policy.

Office of Consumer Credit Commissioner
Fiscal Year 2017 - 4th Quarter

Texas Financial Education Endowment Fund #3071							
	Beginning Balance at 06/01/17	Additions	Interest Paid	Grant Disbursements	Paid Bank Fees	Ending Balance at 08/31/17	Current Interest Rate
Cash	\$ 1,153,588.82	\$ 3,729.08	\$ 2,685.08	\$ (49,791.56)	\$ (1,729.08)	\$ 1,108,482.34	1.0%
Invested Portfolio	Beginning Balance at 06/01/17	Additions	*Change in Value	Transfer Out	Paid Fees	Ending Balance at 8/31/17	
Investments - STIF	\$ 92,787.61	\$ 5,295.09	\$ 36,983.78	\$ -	\$ (2,220.81)	\$ 132,845.67	
Interest & Dividends Receivable	51.86		48.79			100.65	
Trade Receivables	18.40		870.93			889.33	
Investments - Equities	32,286.43		1,153.37			33,439.80	
Investments - Alternatives	2,543,449.80		11,282.85			2,554,732.65	
Investments - Fixed Income	236,526.10		2,642.88			239,168.98	
Invested Portfolio	\$ 2,905,120.20	\$ 5,295.09	\$ 52,982.60	\$ -	\$ (2,220.81)	\$ 2,961,177.08	
Liabilities							
Accounts Payable	\$ (1,008.71)	\$ (495.38)	\$ -	\$ -	\$ -	\$ (1,504.09)	
Trade Payables	-	-				\$ -	
Total Liabilities	\$ (1,008.71)	\$ (495.38)	\$ -	\$ -	\$ -	\$ (1,504.09)	
Total Net Fiduciary Assets	\$ 2,904,111.49					\$ 2,959,672.99	
Total Endowment Funds	\$ 4,057,700.31					\$ 4,068,155.33	

Note: These funds are invested with the Texas Treasury Safekeeping Trust Company.
The above investments are in compliance with the agency's investment policy.

* Reflects redistributed amount among the asset classes in addition to market value adjustment.

Investment Officer: Christina Cuellar Delke

Date: 10/9/17

Reviewed By: [Signature]

Date: 10.9.17

**Texas Department of Banking
Operating Statement and Budget Analysis
For Period Ending August 2017**

	FY 2016 ACTUAL	FY 2017 BUDGET	QUARTER PERFORMANCE				FY 2017 PERFORMANCE			
			4th Quarter BUDGET	4th Quarter ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET	YTD BUDGET	YTD ACTUAL	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:										
Bank & Trust Regulation	\$23,882,487.21	\$24,973,502.78	\$5,424,274.78	\$3,161,921.19	\$2,262,353.59	58.3%	\$24,973,502.78	\$23,019,360.93	\$1,954,141.85	92.2%
Nonbank Regulation	2,921,826.30	3,133,629.79	568,938.69	456,154.92	112,783.77	80.2%	3,133,629.79	3,169,412.72	(35,782.93)	101.1%
Miscellaneous Revenues	27,789.17	22,800.00	5,700.00	27,603.60	(21,903.60)	484.3%	22,800.00	78,639.40	(55,839.40)	344.9%
TOTAL REVENUES:	\$26,832,102.68	\$28,129,932.57	\$5,998,913.47	\$3,645,679.71	\$2,353,233.76	60.8%	\$28,129,932.57	\$26,267,413.05	\$1,862,519.52	93.4%
EXPENDITURES:										
Salaries and Wages										
Exempt Salaries	\$244,442.00	\$234,525.00	\$58,631.25	\$58,681.25	(\$50.00)	100.1%	\$234,525.00	\$234,725.00	(\$200.00)	100.1%
Classified Salaries	16,337,543.36	17,528,545.13	4,587,424.22	4,340,847.62	246,576.60	94.6%	17,528,545.13	16,479,871.06	1,048,674.07	94.0%
Other Personnel Costs	334,020.61	466,832.90	244,001.83	64,973.46	179,028.37	26.6%	466,832.90	368,971.41	97,861.49	79.0%
	\$16,916,005.97	\$18,229,903.03	\$4,890,057.30	\$4,464,502.33	\$425,554.97	91.3%	\$18,229,903.03	\$17,083,567.47	\$1,146,335.56	93.7%
Travel										
In-State	\$1,605,275.73	\$1,648,532.00	\$425,692.07	\$365,624.25	\$60,067.82	85.9%	\$1,648,532.00	\$1,419,601.57	\$228,930.43	86.1%
Out-of-State	577,748.74	745,301.00	227,181.00	166,943.15	60,237.85	73.5%	745,301.00	654,309.12	90,991.88	87.8%
	\$2,183,024.47	\$2,393,833.00	\$652,873.07	\$532,567.40	\$120,305.67	81.6%	\$2,393,833.00	\$2,073,910.69	\$319,922.31	86.6%
Other Expenditures										
Professional Fees & Services	\$153,074.97	\$160,340.00	\$92,810.00	\$99,206.88	(\$6,396.88)	106.9%	\$160,340.00	\$252,417.61	(\$92,077.61)	157.4%
Postage	12,701.74	12,460.00	1,920.00	2,202.33	(282.33)	114.7%	12,460.00	\$11,912.37	547.63	95.6%
Consumable Supplies	476,701.21	219,800.00	139,416.87	111,775.40	27,641.47	80.2%	219,800.00	\$193,618.31	26,181.69	88.1%
Telephone	229,104.60	253,538.00	57,330.85	55,408.16	1,922.69	96.6%	253,538.00	\$247,735.71	5,802.29	97.7%
Utilities	44,982.17	49,201.00	11,403.34	3,186.76	8,216.58	27.9%	49,201.00	\$39,674.43	9,526.57	80.6%
Rent - Buildings	341,852.98	387,490.00	69,309.83	66,431.07	2,878.76	95.8%	387,490.00	\$383,095.41	4,394.59	98.9%
Rent - Machinery & Other	37,756.25	36,283.68	8,765.91	6,826.34	1,939.57	77.9%	36,283.68	\$31,126.06	5,157.62	85.8%
Other Operating	396,150.67	405,745.45	211,839.38	165,954.95	45,884.43	78.3%	405,745.45	\$392,641.76	63,103.69	86.2%
Subscriptions	16,109.46	18,658.00	5,965.00	4,514.75	1,450.25	75.7%	18,658.00	\$16,870.64	1,787.36	90.4%
Employee Training / Reg. Fees	251,013.16	362,688.00	114,574.75	21,765.24	92,809.51	19.0%	362,688.00	\$237,659.82	125,028.18	65.5%
Claims/SORM Assessment	19,517.09	20,404.00	0.00	4,437.00	(4,437.00)	0.0%	20,404.00	\$25,387.76	(4,983.76)	124.4%
Capital / Other IT Expenditures	15,275.16	69,000.00	44,609.83	44,623.13	(13.30)	100.0%	69,000.00	69,013.30	(13.30)	100.0%
	\$1,994,239.46	\$1,995,608.13	\$757,945.76	\$586,332.01	\$171,613.75	77.4%	\$2,045,608.13	\$1,901,153.18	\$144,454.95	92.9%
Total Expenditures before Benefits	\$21,093,269.90	\$22,619,344.16	\$6,300,876.13	\$5,583,401.74	\$717,474.39	88.6%	\$22,669,344.16	\$21,058,631.34	\$1,610,712.82	92.9%
Employee Benefits (Less BRP)	\$4,673,170.85	\$5,195,522.36	\$1,393,666.33	\$1,226,856.70	\$166,809.63	88.0%	\$5,195,522.36	\$4,834,156.07	\$361,366.29	93.0%
Payroll Hlth. Care/Retirement Cont.	235,251.88	265,066.05	\$68,310.83	\$59,924.93	\$8,385.90	87.7%	\$265,066.05	\$241,200.25	\$23,865.80	91.0%
SWCAP	\$42,010.00	\$50,000.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	\$0.00	0.0%
TOTAL EXPENDITURES:	\$26,043,702.63	\$28,129,932.57	\$7,762,853.29	\$6,870,183.37	\$892,669.92	88.5%	\$28,129,932.57	\$26,133,987.66	\$1,995,944.91	92.9%
EXPENDITURES (OVER) / UNDER REVENUE:	\$788,400.05	\$0.00	(\$1,763,939.82)	(\$3,224,503.66)	\$1,460,563.84		\$0.00	\$133,425.39	(\$133,425.39)	

Texas Department of Banking

Overview of Budget Variances for the Fourth Quarter of Fiscal Year 2017 - (Variances in excess of \$1,000 and 5% from budget are reported).

Bank & Trust Regulation – Actual revenues were less than budgeted due to the reduction in the fourth quarter bank assessments of 56% or approximately \$3.3 million. Year to date bank and trust regulation revenue is at 92.2% of budget and was adequate to cover all direct and indirect costs of the Bank and Trust area.

Nonbank Regulation – Actual revenues were less than budgeted due to forgiven fourth quarter assessments. Year to date nonbank regulation revenue is at 101.1% of budget and was adequate to cover all direct and indirect costs of the Special Audits area.

Miscellaneous Revenues – The variance for the quarter relates to higher interest payments from the Treasury than anticipated.

Classified Salaries and Employee Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of August 31, 2017 are listed below:

Administrative	3
Examiners	11

Other Personnel Costs – The positive variance relates to budgeted lump sum retirement payments that did not occur.

In-State Travel – The positive variance is due to vacant examiner positions and examination and training related travel that did not occur or was postponed to fiscal year 2018.

Out-of-State Travel – The positive variance is due to vacant examiner positions and examination and training related travel that did not occur or was postponed to fiscal year 2018.

Professional Fees and Services – The negative variance is due to: (1) a contract IT programmer that had been budgeted in salaries and (2) unanticipated expenditures for a file management utility upgrade of \$13,650 (see consumable supplies below). The negative variance was mitigated by lower expenditures than budgeted for the Law and Guidance Manual programming, auditor and architect fees, and administrative law judge fees.

Consumable Supplies – The positive variance is due to lower than budgeted expenditures. The balance was used to pay for the unanticipated file management utility upgrade mentioned above.

Utilities – The positive variance is due to lower than projected expenditures which were based on historical data.

Rent – Machinery and Other – The positive variance is due to audio visual equipment that was negotiated to be included as part of town hall meetings venue pricing.

Other Operating – The positive variance is due to lower than budgeted investigator fees and lower than anticipated deferred maintenance expenditures.

Subscriptions – The positive variance is due to lower than anticipated renewal fees.

Employee Training – The positive variance is due to: (1) examiner vacancies; (2) training classes that did not materialize or were postponed to fiscal year 2018; and (3) a higher than expected Federal Reserve Bank training reimbursement (\$36,171).

Claims/SORM Assessment – The negative variance relates to an unanticipated unemployment claim payment.

Payroll Health Insurance/Retirement Contribution – The positive variance is due to staff vacancies and the budgeted amount being based on the additional state contribution of 1% and 0.5% to health care and retirement respectively for all employees. However, the 1% healthcare contribution is not calculated for new employees until after 60 days of their employment. In addition, the 0.5% calculation does not include return to work retirees.

TEXAS DEPARTMENT OF BANKING

Changes in Cash Balance

For the Quarter Ending August 31, 2017

	<u>Actual</u>
Cash at Beginning of Period	\$17,524,869.57
Revenues Over (Under) Expenditures	(\$3,230,003.66)
Increase (Decrease) in Payables/Encumbrances	\$458,018.90
(Increase) Decrease in Receivables	<u>(\$41,535.96)</u>
Cash at End of Period	<u><u>\$ 14,711,348.85</u></u>

Restricted Cash Balance:

Payroll and Related Payables	\$2,343,419.91
Reserve for Building	<u>6,000,000.00</u>
Total Restricted Cash Balance	<u><u>\$ 8,343,419.91</u></u>

Assigned Cash Balance:

Retirements	\$685,233.47
Future Operations	<u>5,682,695.47</u>
Total Assigned Cash Balance	<u><u>\$ 6,367,928.94</u></u>

Total Restricted and Assigned Cash Balance **\$ 14,711,348.85**

Assigned Cash Balance/FY2017 Monthly Budget 2.72 months

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

OPERATING STATEMENT AND BUDGET ANALYSIS

For the Period Ended August 31, 2017

	FY 2016 EXPENDED	FY 2017 BUDGET	FY 2017 PERFORMANCE			
			YTD BUDGET	YTD EXPENDED*	(OVER)/UNDER BUDGET	PERCENT BUDGET
REVENUE:						
Annual Assessment	1,279,781	1,464,633	1,464,633	1,656,500	(191,867)	113.1%
Thrift Application Fees	56,500	20,000	20,000	17,600	2,400	88.0%
Licensing Fees	4,633,997	3,744,505	3,744,505	4,012,910	(268,405)	107.2%
Fines and Penalties	1,958,926	0	0	779,269	(779,269)	0.0%
Recovery Fund Offset	1,241	6,000	6,000	6,281	(281)	104.7%
Depository Interest	20,961	9,000	9,000	68,152	(59,152)	757.2%
Miscellaneous	10,001	3,000	3,000	4,762	(1,762)	158.7%
Judgements and Settlements	60,000					
TOTAL REVENUE	8,021,407	5,247,138	5,247,138	6,545,474	(1,298,336)	124.7%
EXPENDITURES:						
Salaries and Wages-						
Exempt	202,540	194,750	194,750	194,750	0	100.0%
Classified	3,443,438	3,934,913	3,934,913	3,601,610	333,303	91.5%
Other Personnel Costs	149,666	98,119	98,119	90,552	7,567	92.3%
	3,795,644	4,227,782	4,227,782	3,886,912	340,870	91.9%
Travel-						
Transportation & Mileage	271,625	351,000	351,000	262,675	88,325	74.8%
	271,625	351,000	351,000	262,675	88,325	74.8%
Other Expenditures-						
Professional Services/Fees	46,627	62,040	62,040	58,280	3,760	93.9%
Consumable Supplies	11,940	12,500	12,500	11,336	1,164	90.7%
Utilities	30,134	33,372	33,372	31,086	2,286	93.1%
Rent-Space & Equipment	4,130	6,000	6,000	6,086	(86)	101.4%
Other Operating Expenses	272,967	268,430	268,430	279,513	(11,083)	104.1%
	365,798	382,342	382,342	386,301	(3,959)	101.0%
Other Agency Costs						
Employee Benefits	1,140,338	1,310,328	1,310,328	1,202,913	107,415	91.8%
SWCAP Indirect Costs	23,396	24,000	24,000	21,708	2,292	90.5%
SAO Audit	0	0	0	50,000	(50,000)	0.0%
	1,163,734	1,334,328	1,334,328	1,274,621	59,707	95.5%
TOTAL EXPENDITURES	5,596,802	6,295,452	6,295,452	5,810,509	484,943	92.3%
EXPENDITURES (OVER)/ UNDER REVENUE	2,424,604	(1,048,314)	(1,048,314)	734,965	(1,783,279)	N/A

* Amounts include accruals and encumbrances.

Department of Savings and Mortgage Lending

Budget Variance Analysis as of August 31, 2017

Revenues:

Overall revenues are at 25% over budget.

Thrift Assessments – Revenues are 13% over budget, mostly due to higher than budgeted level of assets.

Licensing Revenues – Revenues from license and registration fees are 7% over budget. The overage is due to higher volume of new individual RMLLO applications.

Depository Interest – Revenues over budget due to higher interest rates and increased account balances.

Fines and Penalties – No amount was budgeted.

Expenditures:

Overall expenditures are at 92.3% of budget.

Employees' Salaries and Related Benefits – These categories are at 8.4% under budget due to several vacancies.

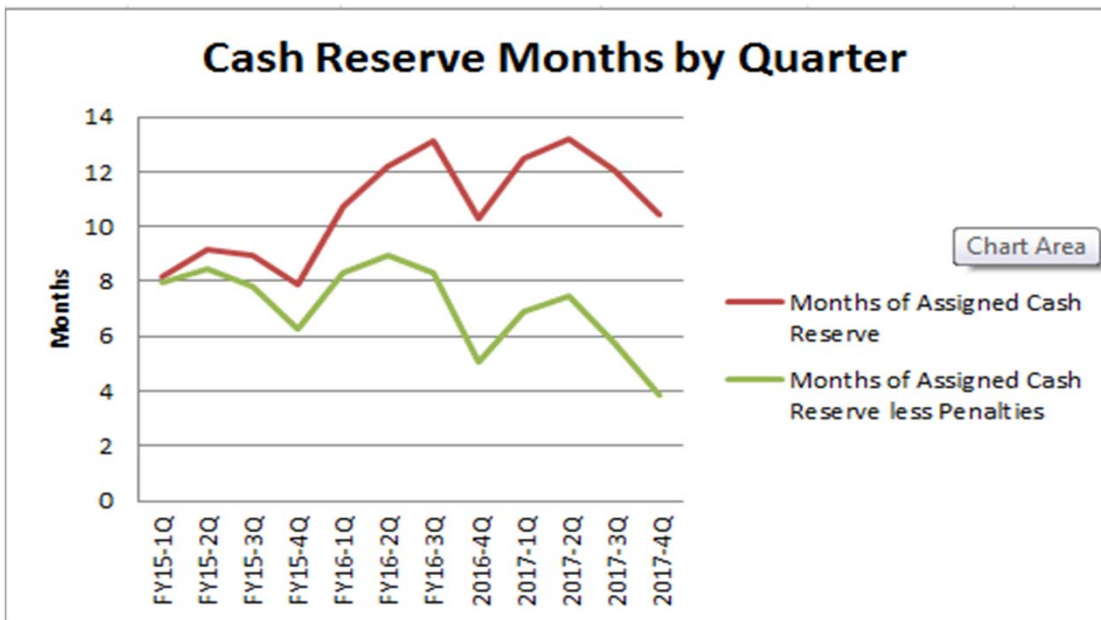
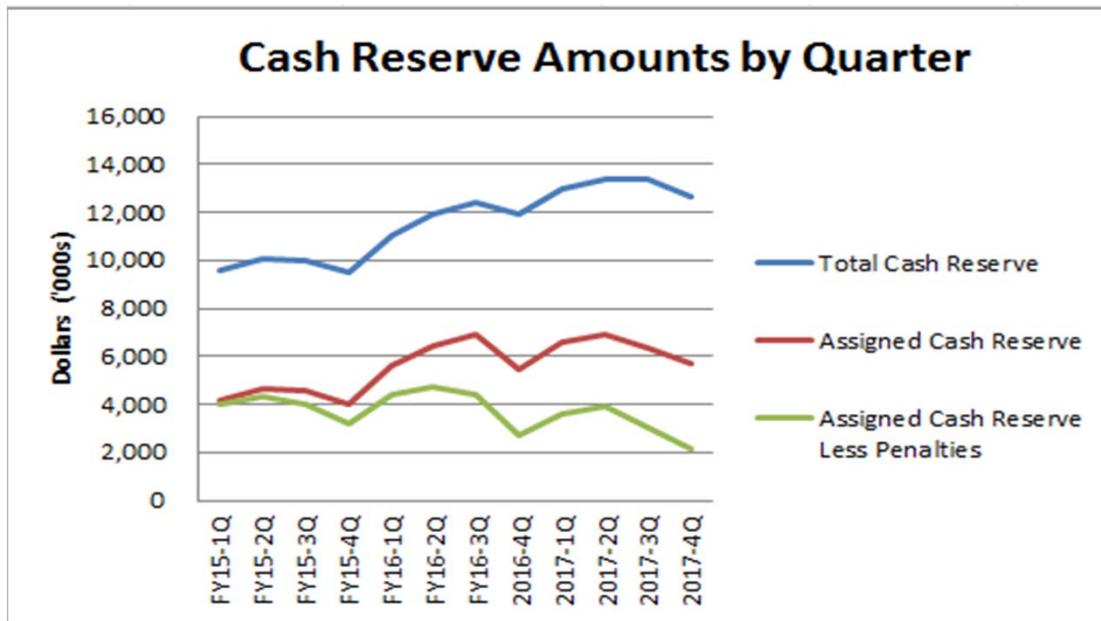
Travel – This category is at 25% under budget. Lower travel costs were incurred mostly due to vacancies.

Other Operating Expenditures – The category is 4% over budget due to higher than budgeted Employee Training costs, Fees for Electronic Payments, and Fees for Safekeeping Trust Bank Charges.

Other Agency Costs: SAO Audit – No amount was budgeted. At the time the budget was prepared the Department had not been notified that it would be audited by SAO.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING CHANGES IN CASH BALANCE <i>For the Quarter Ending August 31, 2017</i>	
	Actual
Cash at Beginning of Period	\$ 13,370,830
Revenues Over (Under) Expenditures CY	\$ (665,255)
Revenues Over (Under) Expenditures PY	\$ -
Increase (Decrease) in Payables/Encumbrances	\$ (51,716)
(Increase) Decrease in Receivables	\$ (2,715)
Cash at End of Period	\$ 12,651,144
Restricted Cash Balance:	
Payroll Payable	\$ 440,959
Other Payables (Net of Receivables)	\$ 43,490
TFEE Transfer	\$ 500,000
Building	\$ 6,000,000
Total Restricted Cash Balance	\$ 6,984,449
Assigned Cash Balance:	
Retirements	\$ 100,000
Mortgage Enforcement Funds	\$ 114,509
Future Operations	\$ 5,452,186
Total Assigned Cash Balance	\$ 5,666,695
Total Restricted and Assigned Cash Balance	\$ 12,651,144
Assigned Cash Balance/FY2018 Monthly Budget	10.4 months

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING



OFFICE OF CONSUMER CREDIT COMMISSIONER						
OPERATING STATEMENT & BUDGET ANALYSIS						
For the Period Ended August 31, 2017						
						100.00%
	FY 2016 ACTUAL	FY 2017 BUDGET	FY 2017 PERFORMANCE			
			YTD BUDGET	YTD ACTUAL	(OVER)/UND BUDGET	PERCENT BUDGET
REVENUES:						
Regulated Lenders	\$ 2,301,912	\$ 2,106,777	\$ 2,106,777	\$ 2,152,309	\$ (45,532)	102.2%
Pawn Industry	1,039,978	1,070,371	1,070,371	1,065,539	4,832	99.5%
MV Industry	4,004,883	3,960,375	3,960,375	4,037,505	(77,130)	101.9%
Credit Access Industry	1,394,845	1,156,000	1,156,000	1,258,815	(102,815)	108.9% (1)
Penalties / Late Fees	960,857	-	-	600,337	(600,337)	-
Debt Management Services	40,390	41,200	41,200	39,640	1,560	96.2%
Debt Cancellation	10,750	-	-	42,000	(42,000)	-
RAL Assessment	76,525	85,000	85,000	132,050	(47,050)	155.4% (2)
Precious Metals	46,450	50,000	50,000	47,475	2,525	95.0%
Tax Liens	59,208	62,203	62,203	65,424	(3,221)	105.2%
Sale of Publications	1,041	-	-	137	(137)	-
Creditor Registration	125,860	84,000	84,000	82,955	1,045	98.8%
Mortgage Loan Originators	104,100	99,500	99,500	75,500	24,000	75.9% (3)
Other Revenue	3,657	-	-	4,063	(4,063)	-
Investment / Interest Income	19,098	-	-	61,019	(61,019)	-
TOTAL REVENUES	\$ 10,189,554	\$ 8,715,426	\$ 8,715,426	\$ 9,664,769	\$ (949,343)	110.9%
EXPENDITURES:						
Salaries and Wages-						
Base Pay	\$ 4,928,968	\$ 5,453,323	\$ 5,453,323	\$ 5,052,138	401,185	92.6%
Benefit Replacement Pay	7,188	7,702	7,702	7,188	514	93.3%
Longevity	67,400	76,000	76,000	70,280	5,720	92.5%
	\$ 5,003,556	\$ 5,537,025	\$ 5,537,025	\$ 5,129,606	\$ 407,419	92.6% (4)
Travel-						
Public Transportation, Lodging, Meals & Mileage	724,516	917,950	917,950	758,716	159,234	82.7% (5)
	\$ 724,516	\$ 917,950	\$ 917,950	\$ 758,716	\$ 159,234	82.7%
Other Expenditures-						
Professional Services & Fees	213,449	293,935	293,935	176,634	117,301	60.1% (6)
Consumable Supplies	19,787	28,000	28,000	17,121	10,879	61.1%
Postage & Freight	17,352	37,000	37,000	22,345	14,655	60.4%
Telephone & Communications	63,994	91,250	91,250	68,505	22,745	75.1%
Bldg. & Utilities	64,089	83,100	83,100	54,320	28,780	65.4%
Publication / Printing & Reproduction	5,465	6,000	6,000	476	5,524	7.9%
Other Operating	288,585	317,500	317,500	222,274	95,226	70.0%
	\$ 672,721	\$ 856,785	\$ 856,785	\$ 561,675	\$ 295,110	65.6%
Acquisition of Info Technology	\$ 72,393	\$ 85,600	\$ 85,600	\$ 56,699	\$ 28,901	66.2%
Development in Progress	-	483,000	483,000	589,389	(106,389)	122.0% (7)
Employee Benefits	1,721,687	1,742,908	1,742,908	1,853,669	(110,761)	106.4% (8)
SWCAP Reimb to Unapp Gr 0001	31,654	35,000	35,000	28,706	6,294	82.0%
SORM Assessment	5,207	6,000	6,000	6,059	(59)	101.0%
Unemployment Benefits	11,980	10,000	10,000	13,046	(3,046)	130.5%
	\$ 1,842,921	\$ 2,362,508	\$ 2,362,508	\$ 2,547,568	\$ (185,060)	107.8%
TOTAL EXPENDITURES:	\$ 8,243,714	\$ 9,674,268	\$ 9,674,268	\$ 8,997,565	\$ 676,703	93.0%
EXPENDITURES (OVER) / UNDER REVENUE	\$ 1,945,840	\$ (958,842)	\$ (958,842)	\$ 667,204	\$ (1,626,045)	

Office of Consumer Credit Commissioner

Overview of Budget Variances for 4th Quarter FY 2017

Revenues- 110.9% of budget

- 1.) Credit Access Industry revenue has exceeded budget for the year due to higher than expected renewal rate.
- 2.) RAL Assessment is above budget due to an increase in registrations for the year. The popularity of a new market product has resulted in the increase in activity.
- 3.) Mortgage Loan Originator ended the year below budget due to fewer mortgage loan originators being registered with the OCCC.

Expenditures- 93% of budget

- 4.) Personnel & Employee Benefit costs ended the year below budget due to the suspended hiring of vacant positions.
- 5.) Travel expenditures ended the year below budget. There has been some employee turnover within the Exam department. The department has suspended hiring of vacant positions during the year which resulted in a decrease in travel costs.
- 6.) Professional Fees is below budget due to legal fees that were not expended during FY 17.
- 7.) Development in Progress is over budget due to work being completed in FY 17 on the ACE project, which was partially budgeted for completion in FY 16 but was delayed by a few weeks.
- 8.) Employee benefits are over budget due to an issue in the budget development for FY16. Employee benefits are always difficult to budget with absolute precision. Compounding the difficulty in forecasting, a miscalculation in the budgeted amount caused the agency to be over budget for benefits for the year.

Office of Consumer Credit Commissioner
Changes in Cash Balance
For the Quarter Ending August 31, 2017

	Actual
Cash at Beginning of Period	\$ 10,443,562.54
Revenues Over (Under) Expenditures CY	1,979,755.18
Increase (Decrease) in Payables	(5,489.17)
(Increase) Decrease in Receivables	14,558.89
Cash at End of Period	<u>\$ 12,432,387.44</u>

Restricted Cash Balance

Payroll and Payroll Related Payables	\$ 663,274.28
Reserve for Building	6,000,000.00
Total Restricted Cash Balance	<u>\$ 6,663,274.28</u>

Assigned Cash Balance

Retirement	148,018.64
Information Technology	483,000.00
Future Operations	5,138,094.52
Total Assigned Cash Balance	<u>\$ 5,769,113.16</u>

Total Restricted and Assigned Cash Balance \$ 12,432,387.44

Assigned Cash Balance - Future Operations / FY 2018
Monthly Budget 6.55

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DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Overview

This policy governs the investment of funds of the Mortgage Recovery Fund (“the Fund”) administered by the Department of Savings and Mortgage Lending (“the Department”) to the extent the Department has statutory investment authority. The Fund has been established as mandated by the 76th Legislature, and organized pursuant to the Texas Finance Code, Chapter 156, Subchapter F.

This policy does not convey investment authority where such does not exist through statute or the courts. This policy shall be approved by the Finance Commission as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission reapproved this policy on October 20⁴, 2017⁶. The policy includes changes stemming from legislation enacted in the 85th Legislative Session. While this agency is not subject to the requirements in the Public Funds Investment Act, efforts are made to closely follow the Act. Previous changes to this policy were approved on OctoberJune 21⁴⁹, 2016⁵.

It is the policy of the Department to invest funds in compliance with the following priorities, in ~~the~~ order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield~~;~~
- Diversification of the investment portfolio~~;~~ and
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Appropriate diversification of investments will be sought.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

Identification of Covered Funds

Funds covered by this policy include amounts deposited into the Mortgage ~~Broker~~-Recovery Fund as prescribed in Texas Finance Code, Chapter 156, Subchapter F.

Types of Authorized Investments

The fund or a portion of the fund may be placed in the Texas Treasury Safekeeping Trust Company (or its successor). Pursuant to Section 404.106 of the Government Code, funds held by the Texas Treasury Safekeeping Trust Company are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Government Code specifies those obligations in which the Comptroller is authorized to invest.

According to Texas Finance, Code, Section 156.501 (c), the amounts in the fund may be invested

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

and reinvested in the same manner as funds of the Texas State Employees Retirement System (“ERS”), however an investment may not be made if it will impair the necessary liquidity required to satisfy judgment payments awarded to residential mortgage loan applicants from the Fund.

The Department’s investment goals align with the ERS’s investment policy for Cash and Cash equivalents, which states that the cash portfolio is managed to maintain liquidity and preserve principal with a maximum final maturity of 18 months and with a minimum credit quality rating of A. The eligible securities for cash and cash equivalents according to ERS’s investment policy are as follows:

1. Asset Backed Securities
2. Certificates of Deposit
3. Commercial Paper
4. Time Deposits
5. Repurchase Agreements
6. Treasury and Government Agency Securities
7. Bank Notes
8. Institutional Money Market Funds
9. Supranationals/Sovereigns
10. Domestic corporate bonds and floating rate notes (FRNs)
11. Interest-bearing deposit accounts
12. Bonds issued, assumed, or guaranteed by the State of Israel
13. No-load money market mutual fund
- 10-14. No-load mutual fund

To provide for more flexibility and obtain a higher rate of return, while still maintaining liquidity and preserve principal the Department increases the allowable maturity period to 60 months (120 months for Asset Backed Securities) and with a minimum credit rating of A. To further limit the investment risk, the Department restricts the eligible securities for investment of funds covered under this policy to:

1. *Certificates of Deposit & Time Deposits* – Deposit accounts in a depository institution that has its main office or a branch office in this state which are: 1) Insured by a federal deposit insurance agency, or its successor; or, 2) 100% secured by securities allowable under the ERS’ investment policy for cash and cash equivalents; and 3) do not have a maturity exceeding 60 months. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.
2. *Repurchase Agreements* – Direct or reverse security repurchase agreements with the Texas Treasury Safekeeping Trust Company (or its successor) or another authorized entity under this policy, which are: 1) collateralized on a daily basis at a minimum of 102% of market value; 2) 100% secured by securities allowable under the ERS’ investment policy for cash and cash equivalents; 3) are placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state.
3. *Asset Backed Securities* - Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the ~~U.S. United States~~, the underlying security for which is guaranteed by an agency or instrumentality of the ~~United States U.S.~~, provided that the applicable

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than ~~with a maximum allowable maturity of~~ 120 months from the date the collateralized mortgage obligation is acquired by the Department and expected average life of not more than 60 months.

4. *Treasury and Government Agency Securities* – Obligations, including letters of credit, of the United States or its agencies and instrumentalities (including the Federal Home Loan Banks), direct obligations of this state or its agencies and instrumentalities, and obligations of state or local government agencies and instrumentalities of any state rated as to investment quality by a nationally recognized investment rating firm not less than A with a maximum allowable maturity of 60 months.

Investments that were authorized at the time they were purchased may be retained under this policy until their maturity, even if later revisions of the policy render the investments in noncompliance; unless the reason for noncompliance is that the investment's rating declines to below the minimum rating required by this policy. In such cases, the investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270, effective September 1, 2017. These divestiture requirements expire in 2037.

Unauthorized Investments

Unauthorized Investments under this policy are:

1. All investments in securities not specifically listed in this policy as eligible securities;~~or~~
2. All investments with maturity and credit rating that do not comply with the requirements of this policy;~~or~~
3. All investments obtained through an unauthorized entity under this policy;~~or~~
4. All investments which comply with the policy but through inherent characteristics or external influences and factors could prevent the Department to reach its investment goals under this policy;
5. All Investments in companies doing business in Sudan;
6. All Investments in companies doing business in Iran; and
7. All Investments in companies that engage in business with a foreign terrorist organization.

Strategy for Covered Funds

The investment strategy for funds received into the Mortgage ~~Broker~~-Recovery Fund, is to place funds in either authorized investments set forth in this policy or in the Texas Treasury Safekeeping Trust Company, with amounts and maturities determined by anticipated liquidity needs.

Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the ~~Texas~~-Department of Savings and Mortgage Lending and safekeeping receipts will be maintained on file.

Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

- The investment position of the Fund on the date of the report;
- The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- The maturity date of each separately invested asset that has a maturity date;
- Any non-compliance of the investment portfolio with this policy;
- Income received and expenses incurred in conjunction with investments; and,
- Any other information as required by the [Finance](#) Commission or deemed relevant to this policy.

The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

Rates of Return and Market Pricing

The Department expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing and rates of return on all investments to ensure that values and yields are consistent with risk and meet investment objectives.

Diversification

Investments in FDIC-insured deposits (or in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations.

Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Investment Officer

The Director of Administration and Finance will be the designated Investment Officer for the funds held and invested by the Department. The Investment Officer is authorized to:

- Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- Delegate routine business transactions within authorized and established investments; and,
- Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

The Investment Officer may not have a personal business relationship with a business organization offering to engage in an investment transaction with the Department.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

[Within 180 days of the end of each Legislative session, if amendments have been made to the Public](#)

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Funds Investment Act, the Department will provide a report to the Finance Commission outlining the amendments and provide recommendations to update the Investment Policy.

Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, and market risks. Any training conducted or approved by any state or federal agency, independent of the Department, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of Financial Industry Regulatory Authority (FINRA).

Acknowledgment of the Policy by ~~Business Organizations~~ ~~Persons~~ Seeking to Sell Investments to the Department

A written copy of this policy must be presented to any business organization ~~person~~ offering to engage in an investment transaction with the Department. Any ~~person-business organization who is~~ holding federally insured deposit accounts is exempt from this requirement. A qualified representative of the business organization offering to engage in an investment transaction with the Department shall execute a written acknowledgment (Appendix) that the business organization:

- Has received and reviewed the Investment Policy of the Department; and,
- Acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the organization that are not authorized by the Department's investment policy, except to the extent that this authorization:
 - is dependent on an analysis of the makeup of the Department's entire portfolio; ~~or~~
 - requires an interpretation of subjective investment standards; ~~or~~
 - relates to investment transactions of the Department that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a business organization ~~person~~ who has not delivered to the Department the instrument in substantially the form provided.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
INVESTMENT POLICY

Appendix

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank/trust company) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department of Savings and Mortgage Lending and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio; ~~or~~ requires an interpretation of subjective investment standards; ~~or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the~~ (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
INVESTMENT POLICY

<u>SML Investment Training Report</u>				
<u>Name</u>	<u>Date</u>	<u>Course</u>	<u>Provider</u>	<u>Hours</u>
<u>Antonia Antov</u>	<u>08/11/2017</u>	<u>Texas Public Funds Investment Act</u>	<u>University of North Texas Center for Public Management</u>	<u>5</u>
<u>Steven O'Shields</u>	<u>08/10/2017</u>	<u>Texas Public Funds Investment Act</u>	<u>University of North Texas Center for Public Management</u>	<u>5</u>
<u>Per Government Code §2256.007, investment officer training requirements are on a state fiscal biennium basis.</u>				

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Overview

This policy governs the investment of funds of the Mortgage Recovery Fund (“the Fund”) administered by the Department of Savings and Mortgage Lending (“the Department”) to the extent the Department has statutory investment authority. The Fund has been established as mandated by the 76th Legislature, and organized pursuant to the Texas Finance Code, Chapter 156, Subchapter F.

This policy does not convey investment authority where such does not exist through statute or the courts. This policy shall be approved by the Finance Commission as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission reapproved this policy on October 20, 2017. The policy includes changes stemming from legislation enacted in the 85th Legislative Session. While this agency is not subject to the requirements in the Public Funds Investment Act, efforts are made to closely follow the Act. Previous changes to this policy were approved on October 21, 2016.

It is the policy of the Department to invest funds in compliance with the following priorities, in order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of the investment portfolio; and
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Appropriate diversification of investments will be sought.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

Identification of Covered Funds

Funds covered by this policy include amounts deposited into the Mortgage Recovery Fund as prescribed in Texas Finance Code, Chapter 156, Subchapter F.

Types of Authorized Investments

The fund or a portion of the fund may be placed in the Texas Treasury Safekeeping Trust Company (or its successor). Pursuant to Section 404.106 of the Government Code, funds held by the Texas Treasury Safekeeping Trust Company are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Government Code specifies those obligations in which the Comptroller is authorized to invest.

According to Texas Finance, Code, Section 156.501 (c), the amounts in the fund may be invested

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

and reinvested in the same manner as funds of the Texas State Employees Retirement System (“ERS”), however an investment may not be made if it will impair the necessary liquidity required to satisfy judgment payments awarded to residential mortgage loan applicants from the Fund.

The Department’s investment goals align with the ERS’s investment policy for Cash and Cash equivalents, which states that the cash portfolio is managed to maintain liquidity and preserve principal with a maximum final maturity of 18 months and with a minimum credit quality rating of A. The eligible securities for cash and cash equivalents according to ERS’s investment policy are as follows:

1. Asset Backed Securities
2. Certificates of Deposit
3. Commercial Paper
4. Time Deposits
5. Repurchase Agreements
6. Treasury and Government Agency Securities
7. Bank Notes
8. Institutional Money Market Funds
9. Supranationals/Sovereigns
10. Domestic corporate bonds and floating rate notes (FRNs)
11. Interest-bearing deposit accounts
12. Bonds issued, assumed, or guaranteed by the State of Israel
13. No-load money market mutual fund
14. No-load mutual fund

To provide for more flexibility and obtain a higher rate of return, while still maintaining liquidity and preserve principal the Department increases the allowable maturity period to 60 months (120 months for Asset Backed Securities) and with a minimum credit rating of A. To further limit the investment risk, the Department restricts the eligible securities for investment of funds covered under this policy to:

1. *Certificates of Deposit & Time Deposits* – Deposit accounts in a depository institution that has its main office or a branch office in this state which are: 1) Insured by a federal deposit insurance agency, or its successor; or, 2) 100% secured by securities allowable under the ERS’ investment policy for cash and cash equivalents; and 3) do not have a maturity exceeding 60 months. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.
2. *Repurchase Agreements* – Direct or reverse security repurchase agreements with the Texas Treasury Safekeeping Trust Company (or its successor) or another authorized entity under this policy, which are: 1) collateralized on a daily basis at a minimum of 102% of market value; 2) 100% secured by securities allowable under the ERS’ investment policy for cash and cash equivalents; 3) are placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state.
3. *Asset Backed Securities* - Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S., provided that the applicable interest rate is not determined by

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than 120 months from the date the collateralized mortgage obligation is acquired by the Department and expected average life of not more than 60 months.

4. *Treasury and Government Agency Securities* – Obligations, including letters of credit, of the United States or its agencies and instrumentalities (including the Federal Home Loan Banks), direct obligations of this state or its agencies and instrumentalities, and obligations of state or local government agencies and instrumentalities of any state rated as to investment quality by a nationally recognized investment rating firm not less than A with a maximum allowable maturity of 60 months.

Investments that were authorized at the time they were purchased may be retained under this policy until their maturity, even if later revisions of the policy render the investments in noncompliance; unless the reason for noncompliance is that the investment's rating declines to below the minimum rating required by this policy. In such cases, the investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270, effective September 1, 2017. These divestiture requirements expire in 2037.

Unauthorized Investments

Unauthorized Investments under this policy are:

1. All investments in securities not specifically listed in this policy as eligible securities;
2. All investments with maturity and credit rating that do not comply with the requirements of this policy;
3. All investments obtained through an unauthorized entity under this policy;
4. All investments which comply with the policy but through inherent characteristics or external influences and factors could prevent the Department to reach its investment goals under this policy;
5. All Investments in companies doing business in Sudan;
6. All Investments in companies doing business in Iran; and
7. All Investments in companies that engage in business with a foreign terrorist organization.

Strategy for Covered Funds

The investment strategy for funds received into the Mortgage Recovery Fund, is to place funds in either authorized investments set forth in this policy or in the Texas Treasury Safekeeping Trust Company, with amounts and maturities determined by anticipated liquidity needs.

Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Department of Savings and Mortgage Lending and safekeeping receipts will be maintained on file.

Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

- The investment position of the Fund on the date of the report;
- The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- The maturity date of each separately invested asset that has a maturity date;
- Any non-compliance of the investment portfolio with this policy;
- Income received and expenses incurred in conjunction with investments; and,
- Any other information as required by the Finance Commission or deemed relevant to this policy.

The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

Rates of Return and Market Pricing

The Department expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing and rates of return on all investments to ensure that values and yields are consistent with risk and meet investment objectives.

Diversification

Investments in FDIC-insured deposits (or in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations.

Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Investment Officer

The Director of Administration and Finance will be the designated Investment Officer for the funds held and invested by the Department. The Investment Officer is authorized to:

- Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- Delegate routine business transactions within authorized and established investments; and,
- Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

The Investment Officer may not have a personal business relationship with a business organization offering to engage in an investment transaction with the Department.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within 180 days of the end of each Legislative session, if amendments have been made to the Public Funds Investment Act, the Department will provide a report to the Finance Commission outlining

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

the amendments and provide recommendations to update the Investment Policy.

Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, and market risks. Any training conducted or approved by any state or federal agency, independent of the Department, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of Financial Industry Regulatory Authority (FINRA).

Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Department

A written copy of this policy must be presented to any business organization offering to engage in an investment transaction with the Department. Any business organization holding federally insured deposit accounts is exempt from this requirement. A qualified representative of the business organization offering to engage in an investment transaction with the Department shall execute a written acknowledgment (Appendix) that the business organization:

- Has received and reviewed the Investment Policy of the Department; and,
- Acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the organization that are not authorized by the Department's investment policy, except to the extent that this authorization;
 - is dependent on an analysis of the makeup of the Department's entire portfolio;
 - requires an interpretation of subjective investment standards; or
 - relates to investment transactions of the Department that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a business organization who has not delivered to the Department the instrument in substantially the form provided.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
INVESTMENT POLICY

Appendix

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank/trust company) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department of Savings and Mortgage Lending and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
INVESTMENT POLICY

SML Investment Training Report				
Name	Date	Course	Provider	Hours
Antonia Antov	08/11/2017	Texas Public Funds Investment Act	University of North Texas Center for Public Management	5
Steven O'Shields	08/10/2017	Texas Public Funds Investment Act	University of North Texas Center for Public Management	5
Per Government Code §2256.007, investment officer training requirements are on a state fiscal biennium basis.				

Legislation Related to the Investment of Public Funds

85th Legislative Session, 2017

HB 1003 – Relating to investment of public funds, including certain expenditures by public institutions of higher education and university systems that are eligible for certain tax credits. (Effective 6/14/17)

HB 1003 seeks to harmonize state law and the applicable federal regulations.

- Adds investments, including interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, as authorized investments.
- Adds that a no-load money market mutual fund is an authorized investment if the mutual fund complies with certain specified Securities and Exchange Commission rules promulgated under the Investment Company Act of 1940. Deletes provisions in 2256.014 (b)(3)-(4) relating to stated maturity and stable net asset value.
- Adds that a no-load mutual fund is an authorized investment if the mutual fund either has a duration of one year or more and is invested exclusively in obligations approved by this subchapter, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. Deletes the provision that the mutual fund be continuously rated by at least one nationally recognized investment rating firm of not less than AAA or its equivalent and must conform to the requirements in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
- Adds a provision to provide that Section 1371.059(c), relating to the authority of an issuer in the proceedings to authorize obligations or a credit agreement, to waive sovereign immunity from suit or liability for the purpose of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation, is applicable to the execution of a repurchase agreement or a guaranteed investment contract by an investing entity. *(Section 1371.059(c) is not applicable to a state agency.)*
- Provides that, to be eligible to receive funds from and invest funds on behalf of an entity under Chapter 2256, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, certain information, including the pool's policy regarding holding deposits in cash.
- Requires that a public funds investment pool that uses amortized cost or fair value accounting, rather than a public funds investment pool created to function as a money market mutual fund, to be eligible to receive funds from and invest funds on behalf of an entity under this chapter, mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. Requires the governing body of the public funds investment pool to take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005, rather than requires portfolio holdings to be sold as necessary to maintain the ratio between 0.995 and 1.005, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005.
- Adds hedging transactions as an authorized investment. Defines eligible entity, eligible project, and hedging. The new section on hedging applies to certain political subdivisions.

HB 1701 – Relating to the presentation of the investment policy of certain governmental entities to a business organization that conducts investment transactions for the entity (Effective 9/1/17)

HB 1701 seeks to reduce confusion by revising the types of business entities that are subject to the acknowledgment requirement and certain content of the acknowledgement.

- Requires that a written copy of the investment policy be presented to any business organization, rather than person, offering to engage in an investment transaction with an investing entity.
- Redefines "business organization" to mean an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds.
- Adds that the written agreement executed between the business organization and the investing entity acknowledges that the business organization has implemented reasonable procedures and controls to avoid investment transactions that are not authorized by the entity's investment policy except as it relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

HB 2647 – Relating to authorized investments of public funds (Effective 6/15/17)

HB 2647 seeks to resolve any confusion by making money market deposit accounts authorized investments under the act.

- Adds interest-bearing banking deposits that are guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor.
- Adds interest-bearing banking deposits through intermediaries - certain conditions apply.

HB 2928 – Authorized investments for governmental entities (Effective 9/1/17)

HB 2928 seeks to resolve any confusion by making Federal Home Loan Banks and certain in-state certificates of deposit or share certificates authorized investments.

- Adds obligations, including letters of credit, of the Federal Home Loan Banks as authorized investments for governmental entities.
- Clarifies that CDs or share certificates issued by a depository institution that has an office in Texas and is secured in accordance with the Public Funds Collateral Act is an authorized investment.

SB 253 – Relating to investment prohibitions and divestment requirements for certain investments of public money. (Effective 5/23/17)

SB 253 seeks to broaden the applicability of the state's Iranian and Sudanese divestiture requirements to include other public investment funds. This change would apply to funds in the state treasury, public investment pools, as well as those invested by local governments. SB 253 also seeks to broaden the state's divestiture policy to prohibit any publicly administered fund, including a state or local retirement fund, from investing in companies that engage in business with a foreign terrorist organization. SB 253 also specifies that the state's divestiture requirements relating to Iran, Sudan, and terrorist organizations shall expire in 2037.

- Transfers Chapter 806, Government Code to Subtitle F, Title 10 Government Code and redesignates it as Chapter 2270, Prohibition on Investing Public Money in Certain Investments. *(No changes, just transfer of Chapter.)*
- Prohibits state investments in companies doing business with Sudan or Iran. This change applies to funds in the state treasury, public investment pools, as well as those invested by local governments.
- Prohibits any publicly administered fund, including a state or local retirement fund, from investing in companies that engage in business with a foreign terrorist organization.

OFFICE OF CONSUMER CREDIT COMMISSIONER
INVESTMENT POLICY STATEMENT
[Effective October ~~20, 2017-21, 2016~~]

1. Overview

This policy governs the investment of funds maintained by the Office of Consumer Credit Commissioner ("Agency"). This policy does not convey investment authority where such does not exist through statute. This policy shall be approved by the Finance Commission of Texas (Finance Commission) as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission met on October ~~20, 2017-21, 2016~~ to re-approve this policy as revised to include concepts from legislation enacted in the 85th Legislative Session and augment or clarify content within this policy. This policy was previously reviewed and -Previous changes to this policy were approved on October 21, 2016-June 19, 2015.

It is the policy of the Agency to invest funds in compliance with the following priorities, in the order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of investment portfolio; and,
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

2. Identification of Covered Funds

Funds covered by this policy are funds authorized to be collected by the Texas Finance Code.

OCCC Operating Fund (TTSTC #2973)	
Enabling Legislation	§16.003, TEX. FIN. CODE

OCCC Residential Mortgage Loan Originator Recovery Fund (TTSTC #3008)	
Enabling Legislation	Sections 341.601 through 341.610, TEX. FIN. CODE
Distribution Policy	The fund shall be used to reimburse residential mortgage loan applicants for actual damages incurred because of acts committed by a state-licensed residential mortgage loan originator who was licensed under the applicable chapter when the

	act was committed. _Recovery is limited by the provisions _of \$341.606 to an aggregate of \$25,000 per claim.
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Texas Financial Education Endowment Fund (TTSTC #3071)	
Enabling Legislation	§393.628, TEX. FIN. CODE
Distribution Policy	Annual distributions, payable quarterly or annually, are calculated as 3.5% times the twenty-quarter, moving-average value of the Fund as of June 30 for distributions to be made the following fiscal year.

3.Types of Authorized Investments

Each fund (or a portion of one or more funds) may be placed in the Texas Treasury Safekeeping Trust Company (TTSTC) or its successor. Pursuant to Section 404.106 of the Government Code, funds held by the TTSTC are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Government Code specifies those obligations in which the Comptroller is authorized to invest.

In accordance with Section 341.602(f) of the Finance Code, the OCCC Residential Mortgage Loan Originator Recovery Fund may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas, and the interest from these investments shall be deposited to the credit of the fund. An investment may not be made under Section 341.602(f) if the investment will impair the necessary liquidity required to satisfy payment of judgment awarded under Chapter 341, Subchapter G of the Finance Code.

The Texas Financial Education Endowment Fund is to be invested with the TTSTC. In accordance with Section 393.628(b) of the Finance Code and Title 7, Section 7.105 of the Texas Administrative Code, Texas Financial Education Endowment funds may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas under Texas Government Code Chapter 815, Subchapter D, and interest from those investments will be deposited to the credit of the account. The Investment Policy Statement for Texas Financial Education Endowment Fund of the TTSTC is adopted by reference for the oversight of the Texas Financial Education Endowment Fund. [See <http://ttstc.com/reports/investmentpolicies/EndowmentIPS.pdf>]. These policies include:

- An investment return objective of 6%
- A securities lending objective to enhance current income to the extent consistent with the preservation of capital and maintenance of liquidity
- Portfolio rebalancing
- Portfolio hedging and overlays
- Asset allocation targets and performance benchmarks
- Risk management guidelines
- Investment manager expectations
- Fixed income, equity, real estate and all asset strategies

The investment policies of the Texas Treasury Safekeeping Trust Company control over any conflict between this policy and the TTSTC investment policy for the Texas Financial Education Endowment Fund.

Insofar as a fund or portion of a fund is deposited in a financial institution, the Agency may utilize the investment securities listed below. "Maximum allowable maturity," when used in this policy, means the remaining time until the final principal payment on the investment, measured from the date of purchase by the Agency.

- Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, with a maximum allowable

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maturity of 10 ~~ten~~ years;

- Direct obligations of this state or its agencies and instrumentalities with a maximum allowable maturity of 10 ~~ten~~ years;
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U. S. United States, the underlying security for which is guaranteed by an agency or instrumentality of the U.S. United States provided that the applicable interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than with a maximum allowable maturity of ten 10 years from the date the collateralized mortgage obligation is acquired by the Agency.

Commented [lp2]: Aligns with existing law, Tex Govt Code Sec. 2256.009

- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the U.S. United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the U.S. United States with a maximum allowable maturity of 10 years;

- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maximum allowable maturity of 10 ~~ten~~ years. If the rating of the issuing entity is downgraded below investment quality during the time an investment is held from that entity, all prudent measures must be taken to liquidate the investment within a reasonable period of time, consistent with the guidelines in this policy;

- Bonds issued, assumed, or guaranteed by the State of ~~Israel~~

- Interest-bearing deposit accounts that are guaranteed or insured by the FDIC or its ~~successor~~

- Other interest-bearing deposit accounts not described above ~~if~~

- The funds are invested through a broker with a main office or branch office in this state as selected by the Agency from an approved list, or through a depository institution with a main office or branch office in this state;
- The selected broker or depository institution arranges for the deposit of the funds in deposit accounts in one or more federally insured institutions, regardless of where located;
- The full amount of principal and accrued interest in such deposit accounts is insured by the U.S. or an instrumentality of the U.S.; and
- The Agency appoints a custodian of the deposit accounts that is:
 - The depository institution selected to broker the deposits;
 - A state or national bank designated by the comptroller as a state depository with its main office or a branch office in this state, that has capital stock and surplus of \$5 million or more;
 - The Texas Treasury Safekeeping Trust Company
 - A Federal Reserve Bank or a branch of a Federal Reserve Bank;
 - A Federal Home Loan Bank;
 - A financial institution authorized to exercise fiduciary powers that is designated by the comptroller as custodian; or
 - A clearing broker dealer registered with the Securities and Exchange Commission (SEC) and operating under SEC Rule 15c3 (17 C.F.R. Section 240.15c3-3)

- ~~Deposit accounts, including time accounts and~~ A certificate ~~certificates~~ of deposit issued by, in a depository institution that has its main office or a branch office in this state, if the certificate which:
 - ~~Is guaranteed or~~ Are fully insured by the FDIC, or its ~~successor~~; or,
 - ~~Is Are 100%~~ secured by ~~obligations securities~~ allowable under Gov't Code § 2256.009(a) ~~this section~~ for direct investment by the Agency; ~~or, and~~
 - ~~Is secured as provided under the Public Funds Collateral Act (Gov't Code Ch. 2257); and~~
 - ~~Does De~~ not have a maturity exceeding 36 months.

A certificate of deposit must be fully secured as described above but may be secured by a combination of the listed alternatives.

- Bids for certificates of deposit may be solicited:
 - Orally;
 - In writing;
 - Electronically; or

Commented [lp3]: Aligns with existing law, Tex Govt Code Sec. 2256.009

Commented [lp4]: HB 1003 and HB 2647 add interest bearing banking deposits guaranteed or insured by the FDIC or National Credit Union Share Insurance Fund (NCUSIF). Did not include NCUSIF in this policy.

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Commented [lp6]: HB 1003 and HB 2647 add interest bearing banking deposits guaranteed or insured by the FDIC or NCUSIF. Did not include NCUSIF in this policy.

- In any combination of those methods.
- A repurchase agreement ~~Repurchase agreements~~, collateralized on a daily basis at a minimum of 102% of market value, including ~~a both~~ direct security repurchase ~~agreement agreements~~ and ~~a~~ reverse security repurchase ~~agreement agreements~~, that:
 - ~~With respect to a reverse security repurchase agreement, does~~ ~~Do~~ not have a defined termination date exceeding ~~90 ninety~~ days;
 - ~~Is Are~~ secured by a combination of cash and ~~obligations securities~~ allowable under ~~Gov't Code §2256.009(a)(1) this section~~ for direct investment by the Agency;
 - ~~Requires Require~~ securities being purchased or cash held by the Agency to be pledged to the Agency, held in the Agency's name and deposited at the time the investment is made with the Agency or with a third party selected and approved by the Agency;
 - ~~Is Are~~ placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state; and
 - Requires that money received under the terms of a reverse security repurchase agreement ~~must shall~~ be used to acquire additional authorized investments, but the term of the authorized investments required must mature not later than the expiration date stated in the reverse ~~security~~ repurchase agreement.
- A no-load money market mutual fund ~~Mutual funds, if they are no-load money market mutual funds~~ that:
 - ~~Is Are~~ registered with and regulated by the ~~SEC Securities and Exchange Commission~~;
 - ~~Provides Provide~~ the Agency with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; ~~and~~
 - ~~Complies with federal SEC Rule 2a-7, promulgated under the Investment Company Act of 1940 (17 C.F.R. § 270-2a-7) Have a dollar-weighted average stated maturity of 90 days or less; and,~~
 - ~~Include in their investment objectives the maintenance of a stable net asset value of \$1 for each share.~~
 - ~~A no-load mutual fund~~ ~~Mutual funds, if they are no-load mutual funds that:~~ ~~Is Are~~ registered with the ~~SEC Securities and Exchange Commission~~;
 - ~~Has Have~~ an average weighted maturity of less than two years;
 - Are invested exclusively in obligations authorized in this policy; and,
 - ~~Either:~~
 - ~~Has a duration of one year or more and is invested exclusively in obligations authorized in this policy; or~~
 - ~~Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.~~
 - ~~Are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.~~

Commented [lp7]: Aligns with existing law, Tex Govt Code Sec. 2256.011

Commented [lp8]: Aligns with HB 1003

Commented [lp9]: Aligns with Tex Govt Code 2256.021

Commented [lp10]: Aligns with SB 253

In general, investments that were authorized at the time they were purchased or otherwise obtained may be retained under this policy even if later revisions of the policy render the investments in noncompliance. One exception is any investment that requires a minimum rating if the rating declines to below the minimum. The investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270. These divestiture requirements expire in 2037.

6-4. Unauthorized Investments

The following are not authorized investments under this policy:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and
- No portion of bond proceeds, reserves and funds held for debt service may shall be invested in no-load mutual funds described in Gov't Code §2256.014(b);-
- Investments in companies doing business in Sudan;
- Investments in companies doing business in Iran; and
- Investments in companies that engage in business with a foreign terrorist organization.

Commented [lp11]: Aligns with SB 253

7.5. Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Office of Consumer Credit Commissioner and safekeeping receipts will be maintained on file.

8.6. Reporting

Not less than quarterly, the Investment Officer shall prepare and submit to the Finance Commission and Finance Commission Chairman a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

- The investment position of the Agency on the date of the report;
- The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- The maturity date of each separately invested asset that has a maturity date;
- The fund for which each individual investment was acquired;
- Any non-compliance of the investment portfolio with this policy;
- Income received and expenses incurred in conjunction with investments; and,
- Any other information as required by the Finance Commission.

9.7. Rates of Return and Market Pricing

The Agency expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. Higher rates of return will be targeted on the more aggressive and longer term investment products. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing and rates of return on all investments to ensure that values and yields are consistent with risk and meet investment objectives.

10.8. Diversification

Investments in FDIC-insured deposits (or in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations. For investments other than those just listed, diversification shall be as follows:

- ~~The aggregate investment in Specific mutual funds, if they are~~ no-load mutual funds ~~described in Gov't Code § 2256.014(b) may not exceed ,are eligible for investment up to a limit of no more than~~ 15 % of ~~the monthly a covered fund's~~ average ~~fund balance of a covered investment fund held by the Agency, excluding bond proceeds and reserves and other funds held for debt service;~~
- No one covered fund shall invest in mutual funds in the aggregate more than 80% of its monthly average balance; and,
- ~~Investment No covered funds shall be invested~~ in any one mutual fund ~~may not exceed in an amount that exceeds~~ 10% of the total assets of the mutual fund.

11-9. Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

12-10. Investment Officer

The Accounting Manager will be the designated Investment Officer for the funds held and invested by the Agency. The Investment Officer is authorized to:

- Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- Delegate routine business transactions within authorized and established investments; and,
- Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

~~If Pursuant to Gov't Code §2256.005(i), if~~ the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the Agency, the Officer shall file a statement disclosing that personal business interest. For the purposes of this policy, an investment officer has a personal business relationship with a business organization if:

- The investment officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- Funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or
- The investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Agency, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

~~Within 180 days of the end of each Legislative session, the Agency will provide a report to the Finance Commission outlining any recent amendments pertaining to the Public Funds Investment Act, and will provide appropriate recommendations to update the Investment Policy.~~

12-11. Investment Training

~~The Pursuant to Gov't Code §2256.007, the~~ Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium Training may include education in investment controls, security risks, strategy risks, and market risks.

Any training conducted or approved by any state or federal agency, independent of the Agency, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

Commented [lp12]: Aligns with Tex Govt Code Sec. 2256.007(d)

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the biannual review of the policy.

14.12. Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

15.13. Acknowledgment of the Policy by Business Organizations ~~Persons~~ Seeking to Sell Investments to the Agency

A written copy of this policy must be presented to any business organization¹~~person~~ offering to engage in an investment transaction with the Agency. A qualified representative of the business organization offering to engage in an investment transaction with the Agency shall execute a written acknowledgment (Appendix #1) that the business organization:

- Has received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,
- Acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Agency and the organization that are not authorized by the Agency's investment policy, except to the extent that this authorization:
 - ~~is dependent on an analysis of the makeup of the Agency's entire portfolio;~~~~or~~
 - ~~requires an interpretation of subjective investment standards;~~ or
 - relates to investment transactions of the Agency that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a person who has not delivered to the Agency the instrument in substantially the form provided.

Commented [lp13]: Aligns with HB 1701

Commented [lp14]: Aligns with HB 1701

¹ A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

Appendix #1

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Office of Consumer Credit Commissioner and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Office of Consumer Credit Commissioner's entire portfolio; ~~or~~ requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Commented [lp15]: Aligns with HB 1701

Signature of Qualified Representative

Date

OFFICE OF CONSUMER CREDIT COMMISSIONER
INVESTMENT POLICY STATEMENT
[Effective October 20, 2017]

1. Overview

This policy governs the investment of funds maintained by the Office of Consumer Credit Commissioner ("Agency"). This policy does not convey investment authority where such does not exist through statute. This policy shall be approved by the Finance Commission of Texas (Finance Commission) as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission met on October 20, 2017 to re-approve this policy as revised to include concepts from legislation enacted in the 85th Legislative Session and augment or clarify content within this policy. This policy was previously reviewed and approved on October 21, 2016.

It is the policy of the Agency to invest funds in compliance with the following priorities, in the order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of investment portfolio; and,
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

2. Identification of Covered Funds

Funds covered by this policy are funds authorized to be collected by the Texas Finance Code.

OCCC Operating Fund (TTSTC #2973)	
Enabling Legislation	§16.003, TEX. FIN. CODE

OCCC Residential Mortgage Loan Originator Recovery Fund (TTSTC #3008)	
Enabling Legislation	Sections 341.601 through 341.610, TEX. FIN. CODE
Distribution Policy	The fund shall be used to reimburse residential mortgage loan applicants for actual damages incurred because of acts committed by a state-licensed residential mortgage loan originator who was licensed under the applicable chapter when the

	act was committed. Recovery is limited by the provisions of §341.606 to an aggregate of \$25,000 per claim.
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Texas Financial Education Endowment Fund (TTSTC #3071)	
Enabling Legislation	§393.628, TEX. FIN. CODE
Distribution Policy	Annual distributions, payable quarterly or annually, are calculated as 3.5% times the twenty-quarter, moving-average value of the Fund as of June 30 for distributions to be made the following fiscal year.

3.Types of Authorized Investments

Each fund (or a portion of one or more funds) may be placed in the Texas Treasury Safekeeping Trust Company (TTSTC) or its successor. Pursuant to Section 404.106 of the Government Code, funds held by the TTSTC are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Government Code specifies those obligations in which the Comptroller is authorized to invest.

In accordance with Section 341.602(f) of the Finance Code, the OCCC Residential Mortgage Loan Originator Recovery Fund may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas, and the interest from these investments shall be deposited to the credit of the fund. An investment may not be made under Section 341.602(f) if the investment will impair the necessary liquidity required to satisfy payment of judgment awarded under Chapter 341, Subchapter G of the Finance Code.

The Texas Financial Education Endowment Fund is to be invested with the TTSTC. In accordance with Section 393.628(b) of the Finance Code and Title 7, Section 7.105 of the Texas Administrative Code, Texas Financial Education Endowment funds may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas under Texas Government Code Chapter 815, Subchapter D, and interest from those investments will be deposited to the credit of the account. The Investment Policy Statement for Texas Financial Education Endowment Fund of the TTSTC is adopted by reference for the oversight of the Texas Financial Education Endowment Fund.

[See <http://ttstc.com/reports/investmentpolicies/EndowmentIPS.pdf>]. These policies include:

- An investment return objective of 6%
- A securities lending objective to enhance current income to the extent consistent with the preservation of capital and maintenance of liquidity
- Portfolio rebalancing
- Portfolio hedging and overlays
- Asset allocation targets and performance benchmarks
- Risk management guidelines
- Investment manager expectations
- Fixed income, equity, real estate and all asset strategies

The investment policies of the Texas Treasury Safekeeping Trust Company control over any conflict between this policy and the TTSTC investment policy for the Texas Financial Education Endowment Fund.

Insofar as a fund or portion of a fund is deposited in a financial institution, the Agency may utilize the investment securities listed below. "Maximum allowable maturity," when used in this policy, means the remaining time until the final principal payment on the investment, measured from the date

purchase by the Agency.

- Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, with a maximum allowable maturity of 10 years;
- Direct obligations of this state or its agencies and instrumentalities with a maximum allowable maturity of 10 years;
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S. provided that the applicable interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than 10 years from the date the collateralized mortgage obligation is acquired by the Agency; Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the U.S. or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the U.S. with a maximum allowable maturity of 10 years;
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maximum allowable maturity of 10 years. If the rating of the issuing entity is downgraded below investment quality during the time an investment is held from that entity, all prudent measures must be taken to liquidate the investment within a reasonable period of time, consistent with the guidelines in this policy;
- Bonds issued, assumed, or guaranteed by the State of Israel;
- Interest-bearing deposit accounts that are guaranteed or insured by the FDIC or its successor;
- Other interest-bearing deposit accounts not described above if:
 - The funds are invested through a broker with a main office or branch office in this state as selected by the Agency from an approved list, or through a depository institution with a main office or branch office in this state;
 - The selected broker or depository institution arranges for the deposit of the funds in deposit accounts in one or more federally insured institutions, regardless of where located;
 - The full amount of principal and accrued interest in such deposit accounts is insured by the U.S. or an instrumentality of the U.S.; and
 - The Agency appoints a custodian of the deposit accounts that is:
 - The depository institution selected to broker the deposits;
 - A state or national bank designated by the comptroller as a state depository with its main office or a branch office in this state, that has capital stock and surplus of \$5 million or more;
 - The Texas Treasury Safekeeping Trust Company
 - A Federal Reserve Bank or a branch of a Federal Reserve Bank;
 - A Federal Home Loan Bank;
 - A financial institution authorized to exercise fiduciary powers that is designated by the comptroller as custodian; or
 - A clearing broker dealer registered with the Securities and Exchange Commission (SEC) and operating under SEC Rule 15c3 (17 C.F.R. Section 240.15c3-3)

- A certificate of deposit issued by depository institution that has its main office or a branch office in this state, if the certificate :
 - Is guaranteed or fully insured by the FDIC, or its successor; or,
 - Is secured by obligations allowable under Gov't Code § 2256.009(a) for direct investment by the Agency; or
 - Is secured as provided under the Public Funds Collateral Act (Gov't Code Ch. 2257); and
 - Does not have a maturity exceeding 36 months.

A certificate of deposit must be fully secured as described above but may be secured by a combination of the listed alternatives.

- Bids for certificates of deposit may be solicited:
 - Orally;
 - In writing;
 - Electronically; or
 - In any combination of those methods.
- A repurchase agreement , collateralized on a daily basis at a minimum of 102% of market value, including a direct security repurchase agreement and a reverse security repurchase agreement , that:
 - With respect to a reverse security repurchase agreement, does not have a defined termination date exceeding 90 days;
 - Is secured by a combination of cash and obligations allowable under Gov't Code §2256.009(a)(1) for direct investment by the Agency;
 - Requires securities being purchased or cash held by the Agency to be pledged to the Agency, held in the Agency's name and deposited at the time the investment is made with the Agency or with a third party selected and approved by the Agency;
 - Is placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state; and
 - Requires that money received under the terms of a reverse security repurchase agreement must be used to acquire additional authorized investments, but the term of the authorized investments required must mature not later than the expiration date stated in the reverse security repurchase agreement.
- A no-load money market mutual fund that:
 - Is registered with and regulated by the SEC ;
 - Provides the Agency with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
 - Complies with federal SEC Rule 2a-7, promulgated under the Investment Company Act of 1940 (17 C.F.R. § 270-2a-7).
- A no-load mutual fund that:
 - Is registered with the SEC ;
 - Has an average weighted maturity of less than two years;
 - Are invested exclusively in obligations authorized in this policy; and,
 - Either:
 - Has a duration of one year or more and is invested exclusively in obligations authorized in this policy; or
 - Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

In general, investments that were authorized at the time they were purchased or otherwise obtained may be retained under this policy even if later revisions of the policy render the investments in noncompliance. One exception is any investment that requires a minimum rating if the rating declines to below the minimum.

The investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270. These divestiture requirements expire in 2037.

4.Unauthorized Investments

The following are not authorized investments under this policy:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and
- No portion of bond proceeds, reserves and funds held for debt service may be invested in no-load mutual funds described in Gov't Code §2256.014(b);
- Investments in companies doing business in Sudan;
- Investments in companies doing business in Iran; and
- Investments in companies that engage in business with a foreign terrorist organization.

5.Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Office of Consumer Credit Commissioner and safekeeping receipts will be maintained on file.

6.Reporting

Not less than quarterly, the Investment Officer shall prepare and submit to the Finance Commission and Finance Commission Chairman a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

- The investment position of the Agency on the date of the report;
- The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- The maturity date of each separately invested asset that has a maturity date;
- The fund for which each individual investment was acquired;
- Any non-compliance of the investment portfolio with this policy;
- Income received and expenses incurred in conjunction with investments; and,
- Any other information as required by the Finance Commission.

7.Rates of Return and Market Pricing

The Agency expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. Higher rates of return will be targeted on the more aggressive and longer term investment products. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing and rates of return on all investments to ensure that values and yields are consistent with risk and meet investment objectives.

8.Diversification

Investments in FDIC-insured deposits (or in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations. For investments other than those just listed, diversification shall be as follows:

- The aggregate investment in no-load mutual funds described in Gov't Code § 2256.014(b) may not exceed 15 % of the monthly average fund balance of a covered investment fund held by the Agency, excluding bond proceeds and reserves and other funds held for debt service;
- No one covered fund shall invest in mutual funds in the aggregate more than 80% of its monthly average balance; and,
- Investment in any one mutual fund may not exceed 10% of the total assets of the mutual fund.

9.Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

10.Investment Officer

The Accounting Manager will be the designated Investment Officer for the funds held and invested by the Agency. The Investment Officer is authorized to:

- Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- Delegate routine business transactions within authorized and established investments; and,
- Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

If the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the Agency, the Officer shall file a statement disclosing that personal business interest. For the purposes of this policy, an investment officer has a personal business relationship with a business organization if:

- The investment officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- Funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or
- The investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Agency, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within 180 days of the end of each Legislative session, the Agency will provide a report to the Finance Commission outlining any recent amendments pertaining to the Public Funds Investment Act, and will provide appropriate recommendations to update the Investment Policy.

11.Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, and market risks.

Any training conducted or approved by any state or federal agency, independent of the Agency, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the biannual review of the policy.

12. Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

13. Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Agency

A written copy of this policy must be presented to any business organization¹ offering to engage in an investment transaction with the Agency. A qualified representative of the business organization offering to engage in an investment transaction with the Agency shall execute a written acknowledgment (Appendix #1) that the business organization:

- Has received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,
- Acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Agency and the organization that are not authorized by the Agency's investment policy, except to the extent that this authorization:
 - is dependent on an analysis of the makeup of the Agency's entire portfolio;
 - requires an interpretation of subjective investment standards; or
 - relates to investment transactions of the Agency that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a person who has not delivered to the Agency the instrument in substantially the form provided.

¹ A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

Appendix #1

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Office of Consumer Credit Commissioner and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Office of Consumer Credit Commissioner's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

OCCC Investment Training				
Staff Member	Date	Course	Sponsor	Hours
Christina Cuellar Hoke	5/14/2017	PFIA	Texas State Univ	5
Juan V Garcia	8/11/2017	PFIA	Univ North Texas	5
Leslie Pettijohn	6/7/2017	PFIA	Texas State Univ	5



TEXAS FINANCIAL EDUCATION ENDOWMENT

TFEE Report – August 2017

Juan V. Garcia, Program Director

The Grant Coordinator prepared an activity summary report for the 2016-17 cycle from recently submitted progress reports that were due July 31. Activities for the fourth and final report for the 2016-17 cycle will end on December 31, 2017.

On September 7, 2017, the Grant Coordinator hosted an informational webinar for 28 interested applicants. The webinar was recorded and uploaded to the TFEE website as reference material for others interested.

In addition, the 2018-19 TFEE grant application deadline was September 25, 2017 and the program received 23 applications. Two of the applicants did not meet the eligibility requirements.

The 23 applications request an aggregate total of \$832,227 for the upcoming cycle. The Grant Coordinator worked with the Grant Advisory Committee to divide applicants into groups for review and scoring. The Grant Advisory Committee is scheduled to meet on October 19 to deliberate the applications and then make final award recommendations to the Audit Committee to award up to the \$250,000 amount approved by the Finance Commission.

TEXAS FINANCIAL EDUCATION ENDOWMENT GRANT

SEMI-ANNUAL GRANT REPORT No. 3

JANUARY 1, 2017 – JUNE 30, 2017



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Grant Advisory Committee:

Lori McCool, Finance Commission Representative
Vince E. Puente, Sr., Finance Commission Representative
Nancy Granovsky, Education Consultant
Leilani Lim-Villegas, Financial Education Consultant
Eric Norrington, Credit Access Business Industry Representative
Steven O'Shields, Texas Department of Savings and Mortgage Lending Representative
Laura Rosen, Consumer Advocate Representative

Grant Coordinator:

Deandra Sullivan, Office of Consumer Credit Commissioner

2016-2017 TFEF Grant Recipients:



El Paso Credit Union



Texas Council on Economic Education

Summary

Background

The Texas Financial Education Endowment (TFEE) Grant Program awarded eight organizations an aggregate amount of \$249,000 in funds for the 2016-2017 grant cycle. These organizations strive to increase and promote the financial capability of all Texas consumers.

Program Highlights

During the reporting period (January 1, 2017 – June 30, 2017), TFEE funds provided 2,352 hours of direct financial education training to 4,013 Texans consumers. Many of the programs have surpassed their projected goals and are continuing to provide financial education to more individuals than anticipated.

However, some of the programs faced challenges with collecting post-training progress data. Some programs implemented a stipend program, new surveying tools and/or stressed the importance of this data allowing for an increase in data collection this reporting cycle. Post-training data collection, in addition to client outreach, retention and engagement, remain a common challenge among grantees.

Financial Status

Amount Awarded:		\$249,000
Previous Reimbursement totals:		
No. 1 (January 1, 2016 – June 30, 2016)		\$35,569.88
No. 2 (July 1, 2016 – December 31, 2016)		\$88,475.72
Reimbursement Requests (No. 3 January 1, 2017 – June 30, 2017)		
	Community Development Corporation of Brownsville*	
	Easter Seals of Greater Houston	\$8,000.00
	El Paso Credit Union, HOAP*	
	Family Pathfinders of Tarrant County	\$10,315.00
	Family Service Association of San Antonio	\$11,211.00
	Goodwill Industries of Central Texas	\$16,682.00
	Texas Council on Economic Education	\$6,803.00
	Texas State Affordable Housing Corporation**	\$0.00
Total Requested Amount for Reimbursement Request No. 3:		\$53,011.00
Total Requested Amount to Date:		\$177,057.60
% of Funds Expended to Date		71.11%
Amount Of Funds Remaining		\$71,943.40
*1 year grant cycle		
**Did not request to be reimbursed for any expenses during this period		

Community Development Corporation of Brownsville (CDCB)

La Puerta is a CDCB initiative for financial empowerment through free financial coaching, workshops, and income tax assistance. The goal is to assist families to reach a status of financial health. The 3 major tenets to financial health as defined by the La Puerta program are for families to be able to: 1) Maintain a household budget that efficiently uses their monthly income to meet all their expenses, 2) Save money for emergencies, and 3) Establish a plan for their financial future.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: ONE YEAR (JANUARY 2016 – DECEMBER 2016) | AMOUNT AWARDED: \$32,000

TOTAL REIMBURSED YTD: \$32,000

Program Status to Date: Completed

A total of 62 financial literacy classes were conducted serving 974 individuals during 2016. Now that the one-year grant term has ended, the program is focused on simplifying the post-training survey, incorporating a qualitative 'applied activity' for clients to self-report as part of the assessment tool and implementing advertising that better explains the opportunities provided with financial coaching.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Program was completed on December 31, 2016

Upcoming Activities

- The program has secured additional funding sources and will continue providing financial literacy classes
- The program's longitudinal impact will be summarized for the final TFEE Grant Report

Easter Seals of Greater Houston

Easter Seals of Greater Houston provides first-time financial coaching, homebuyer education and homebuyer programs for people with all types of disabilities, and meet low-income guidelines. The program aims to improve the community by: revitalizing neighborhoods; helping people understand credit and debt; assisting with asset building and savings; credit boot camps; financial coaching; and collaborating with partners to create homeownership opportunities.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS (JANUARY 2016 – DECEMBER 2017) | AMOUNT AWARDED: \$32,000

FUNDS REQUESTED FOR JANUARY 1, 2017 – JUNE 30, 2017: \$8,000 | TOTAL REIMBURSED YTD: \$24,000

Program Status to Date

During the 3rd cycle of grant funding, Easter Seals of Greater Houston conducted ten group classes with a total of 74 attendees. In addition, 15 individuals and two families received one-on-one coaching towards multiple individual goals. The program has also successfully helped five individuals and two families prepare to purchase a home through a down payment assistance program. Lastly, the program has continued to expand their outreach throughout Montgomery County with the addition of over ten new partnerships.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Conducted ten group classes
- Conducted one-on-one coaching sessions for 15 individuals
- Conducted long-term one-on-one coaching for two families assisting them in purchasing a home

Major Achievements

- Provided a total of 91 individuals financial education through group classes, and individual credit and debt counseling sessions
- Provided home buying assistance to two families and five individuals
- Expanded “collaboration network” to meet clients’ wide range of needs

Biggest Challenges

- Creating customized plans for the wide range of financial goals and needs of their demographically diverse participants

Upcoming Activities

- Improve the efficiency of the referral process to ensure clients are receiving appropriate services
- Improve their current way of monitoring client progress

El Paso Credit Union, Home Ownership Assistance Program (HOAP)

El Paso Credit Union HOAP, promotes community development by targeting the financially underserved community to provide them the ability to develop family assets, and economic and financial stability. HOAP provides financial education, one-on-one housing counseling, credit counseling, and down-payment assistance to low to moderate income homebuyers. The HOAP provides housing opportunities to community members who would otherwise be unable to become homeowners.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: ONE YEAR (JANUARY 2016 – DECEMBER 2016) | AMOUNT AWARDED: \$25,000

TOTAL REIMBURSED YTD: \$21,505

Program Status to Date: Completed

A total of 50 financial literacy seminars were conducted with approximately 786 individuals in attendance during 2016. Now that the one-year grant term has ended, the program is focused on finding and implementing new ways to keep participants actively engaged.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Program was completed on December 31, 2016

Upcoming Activities

- The program has secured additional funding sources and will continue providing financial literacy classes
- The program's longitudinal impact will be summarized for the final TFEE Grant Report

Family Pathfinders of Tarrant County

Family Pathfinders provides low and moderate income families financial coaching to help clients adopt positive financial behaviors and increase their financial stability. TFEF funding supports the Two Generation Stability Program that provides one-on-one financial coaching services to parents whose children receive case management services from Communities in Schools (CIS).

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEARS (JANUARY 2016 – DECEMBER 2017) | AMOUNT AWARDED: \$32,000

FUNDS REQUESTED FOR JANUARY 1, 2017 – JUNE 30, 2017: \$10,315 | TOTAL REIMBURSED YTD: \$26,329

Program Status to Date

During the 3rd cycle of grant funding, Family Pathfinders of Tarrant County provided a total of 28 families with one-on-one financial coaching services. However, Pathfinders is currently working with a core group of 17 active financial counseling clients. The program partnered with Arlington Collegiate High School to enroll four additional families after CIS chose to withdraw from the program. In addition, the program uses non-traditional work hours to counteract clients' personal obligations that often act as a barrier to client participation.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Provided financial coaching services to a total of 17 families

Major Achievements

- Enrolled four new families into the program
- Four clients successfully completed the program
- Secured a new partnership with Arlington Collegiate High School

Biggest Challenges

- Participants work/family obligations along with transportation issues continues to be a program challenge
- Identifying additional participants

Upcoming Activities

- Identify ways to encourage participation by remaining engaged with current partners and searching for additional participants
- Staff will continue to participate in professional development and host train-the-trainer sessions to increase the financial coaching knowledge among staff and local area practitioners

Family Service Association of San Antonio

Family Service Association seeks to increase economic opportunities for low-income families and individuals. The Financial Empowerment Services program provides San Antonio residents financial education and capability through one-on-one financial counseling. The focus is on reducing debt, increasing credit scores, savings, banking and wealth building.

PROGRAM TYPE: FINANCIAL COACHING

GRANT TERM: TWO YEARS (JANUARY 2016 – DECEMBER 2017) | AMOUNT AWARDED: \$32,000

FUNDS REQUESTED FOR JANUARY 1, 2017 – JUNE 30, 2017: \$11,211 | TOTAL REIMBURSED YTD: \$13,219

Program Status to Date

During the 3rd cycle of grant funding, Family Service Association of San Antonio conducted 937 one-on-one financial coaching sessions for 625 participants. The program is now fully staffed and has secured other forms of funding allowing for better long-term program sustainability. Family Service Association of San Antonio is still working on a 4-6 week wait list for new clients, proving to consistently be their biggest challenge each reporting period.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Provided 625 participants with one-on-one financial counseling sessions
- 47 individuals entered Job Training and are working to secure gainful employment
- Assisted 9 participants in avoiding foreclosure or eviction
- Assisted 3 participants with purchasing a home

Major Achievements

- Assisted \$4 million in debt reduction in 2017
- Survey data shows 158 individuals reduced their debt by 10%
- Survey data shows 93 individuals were able to increase their credit scores by a minimum of 35 points

Biggest Challenges

- Meeting demand for financial counseling; program has a 4-6 week wait list

Upcoming Activities

- Enhance and expand the program to serve an increased number of clients

Goodwill Industries of Central Texas

Goodwill's financial literacy program strives to increase the financial knowledge and capability of low-income clients, leading to increased self-sufficiency and economic security.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: 2 YEARS (JANUARY 2016 – DECEMBER 2017) | AMOUNT AWARDED: \$32,000

FUNDS REQUESTED FOR JANUARY 1, 2017 – JUNE 30, 2017: \$16,682 | TOTAL REIMBURSED YTD: \$27,654

Program Status to Date

During the 3rd cycle of grant funding, Goodwill Industries of Central Texas offered 9 Financial Literacy and Education classes each week, in addition to their one-on-one counseling services, allowing them to service a total of 287 participants. In addition, the program has implemented a new follow-up plan, using Survey Monkey, to help solve their post-class data challenge but are still not receiving the desired survey participation.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Conducted nine group financial education seminars weekly
- Currently offers six different classes: Budgeting, Savings, Credit, Personal Finance 101, How to Buy a Car and Entrepreneurial Skills

Major Achievements

- Provided 144 individuals financial education through financial education seminars
- Increased interest and response from clients
- 90% of clients indicated the classes contained relevant information and would recommend the course to others

Biggest Challenges

- Large percentage of the program clients are homeless or unemployed and have difficulty focusing on financial capability when their basic needs are not met
- Securing follow-up participation post-class

Upcoming Activities

- Research virtual options to provide financial education such as a “Money Habitudes” mobile application
- Working to improve the follow-up process to better track participant’s progress

Texas Council on Economic Education (TCEE)

By working with kindergarten through grade 12 educators, TCEE aims to plant the seeds of a healthier U.S. economy and personal financial stability. TCEE's goal is to provide teachers with hands-on lessons and programs that allow students to practice implementing real life economic and financial skills, and thus pave the way to a life of economic security and a Smarter Texas.

PROGRAM TYPE: K-12 FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS (JANUARY 2016 – DECEMBER 2017) | AMOUNT AWARDED: \$32,000

FUNDS REQUESTED FOR JANUARY 1, 2017 – JUNE 30, 2017: \$6,803 TOTAL REIMBURSED YTD: \$22,850

Program Status to Date

During the 3rd cycle of grant funding, Texas Council on Economic Education effectively focused on increasing the number of teachers providing post-class data. TCEE secured 25 teachers covering 35 classes to begin reporting post-class participant data. In addition, TCEE offered three train-the-trainer workshops allowing them to surpass their goal of training a total of 125 teachers by more than 100 additional trained teachers.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Conducted 3 personal financial literacy workshops
- Trained 25 additional teachers who were able to reach 2,982 students

Major Achievements

- Surpassed the proposed goal of trained trainers by more than 100
- Implemented a stipend program to encourage teacher participation in post-class

Biggest Challenges

- Low enrollment in workshops resulted in fewer scheduled workshops
- Collecting testing data from teachers who attended workshops

Upcoming Activities

- All workshops proposed in the application have been completed; TCEE will continue to report on student testing data
- Will focus on increasing teacher participation in post-class data collecting

Texas State Affordable Housing Corporation (TSAHC)

The mission of TSAHC is to serve the housing needs of low-income and underserved families and communities. TSAHC provides a variety of programs aimed at helping consumers access affordable homes and apartments, as well as high-quality home buyer education financial coaching, credit counseling and foreclosure prevention services in their communities. In addition, TSAHC administers the Texas Statewide Homebuyer Education Program (TSHEP) on behalf of the state of Texas to ensure financial counselors have the training they need to provide the highest quality counseling services.

PROGRAM TYPE: ADULT FINANCIAL EDUCATION & CAPABILITY

GRANT TERM: TWO YEARS (JANUARY 2016 – DECEMBER 2017) | AMOUNT AWARDED: \$32,000

FUNDS REQUESTED FOR JANUARY 1, 2017 – JUNE 30, 2017: \$0 | TOTAL REIMBURSED YTD: \$9,500

Program Status to Date

During the 3rd cycle of grant funding, Texas State affordable Housing Corporation completed one week-long training workshop. TSAHC has trained 107 housing and financial counselors during the grant term, who have helped approximately 11,285 low and moderate income families every year. The largest challenged faced by TSAHC is collecting data from all counselors who have attended a training.

Reporting Period Update (January 1, 2017 – June 30, 2017)

Program Activities

- Provided two week-long TSHEP trainings

Major Achievements

- Have served 65 Texas counties
- Have educated more than 550 consumers through weekly educational webinars providing an overview of the homeownership process

Biggest Challenges

- Collecting data from counselors who have attended TSHEP training
- Meeting the demand for financial counseling

Upcoming Activities

- Exploring ways to increase post-class survey participation



2018-19 Texas Financial Education Endowment - Applicant Summary

Organization & Funding Details			Proposed Information
1	Name:	Alliance Financial Ministries, Inc.	Alliance Financial Ministries, Inc. is requesting grant funding to expand the one-day teen financial event called MoneyLIVE. The funds will be used to develop the Financial Literacy Leadership Program to provide year round financial training for youth.
	Service Area:	Houston & Surround Areas	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 20,000.00	
2	Name:	Building Financial Capacity Coalition (BFCC)	Building Financial Capacity Coalition is requesting a \$40,000 grant to develop and implement the expansion of the youth financial education program in participating school districts throughout the Rio Grande Valley. BFCC holds a student 'Summit' each year. The biggest goal is to embed BFCC's curriculum into a class that every high school student will be required to take before graduation.
	Service Area:	Rio Grande Valley	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
3	Name:	Center for Transforming Lives	Center for Transforming Lives is requesting grant funding to provide financial coaching. The purpose of this program is to improve money management skills of low to moderate income persons so that they make positive changes in financial behaviors leading to long-term, tangible improvements in financial health through financial education and coaching, including credit improvement and asset building strategies.
	Service Area:	Tarrant County	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
4	Name:	Easter Seals of Greater Houston, Inc.	Easter Seals of Greater Houston, Inc. is requesting funding to support financial coaching to high school and transition aged youth with disabilities and low income people of all ages with a family member who has a disability.
	Service Area:	Montgomery County and North Harris	
	Category:	Adult Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
5	Name:	Financial Mentors of America	Financial Mentors of America is requesting grant funding for the August 2018 Real Life Financial Mathematics (RLFM) Educator Conference. Based on funding, it will be held in Houston or Dallas. If educators receive expense stipends, we anticipate 110 participants. The four-day training would be conducted in August 2018 and offer TEA approved Professional Development.
	Service Area:	Statewide	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	1 year	
	Amount Requested:	\$ 40,000.00	
6	Name:	FirstLight Community Foundation	FirstLight Community Foundation is requesting grant funding for the implementation of the Brighter U Financial Literacy Program in El Paso Independent School District High Schools, plus other area high schools as funding permits.
	Service Area:	El Paso County	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
7	Name:	Foundation Communities	Foundation Communities' Financial Coaching Program provides low-income individuals the opportunity to meet one-on-one with a volunteer financial coach to identify personal goals related to debt, saving, budgeting, and credit.
	Service Area:	Austin & Surrounding Areas	
	Category:	Adult Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
8	Name:	Goodwill Industries of Central Texas	Goodwill will offer one-on-one and group financial education for people with disadvantaging conditions such as poverty, housing instability, low skill levels, and low education attainment.
	Service Area:	Travis County and Williamson County	
	Category:	Adult Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	

9	Name:	Habitat for Humanity Texas	Habitat for Humanity Texas seeks to expand its Consumer Finance Program to provide financial coaching and mortgage education to low-to-moderate income Texans through a statewide network of 80 affiliates.
	Service Area:	Statewide	
	Category:	Adult Financial Education & Capability	
	Grant Cycle:	1 year	
	Amount Requested:	\$ 39,455.00	
10	Name:	Pathfinders	Pathfinders is requesting grant funding to continue to provide a two-generation program of financial coaching and connections to resources to help clients set and attain financial goals.
	Service Area:	Tarrant County	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
11	Name:	Texas A&M AgriLife Extension Service	Texas A&M AgriLife Extension Service is requesting grant funding to provide "Real Life" personal finance education to high school students. This program is designed to bring together teachers, extension agents & community members to provide personal financial education for high school students in the classroom and provide a capstone financial experience.
	Service Area:	Statewide	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
12	Name:	Trinity Basin Preparatory (TBP)	Trinity Basin Preparatory is requesting grant funding to allow each classroom to work as a team to compete in the BizKid\$ Entrepreneur Contest. By implementing this program in all 7th and 8th grade classrooms each TBP student going forward will have two opportunities to compete. The contest gives the students a hands on opportunity to become more financial literate and work on critical thinking/problem solving, reading, writing, math, marketing and team work.
	Service Area:	DFW Area	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 29,422.00	
13	Name:	Texas State Affordable Housing Corporation (TSAHC)	Texas State Affordable Housing Corporation is requesting grant funding to support professional development training for housing and financial counselors who provide credit counseling, financial coaching, pre and post-purchase home buyer education and other financial capability services to Texas consumers.
	Service Area:	Statewide	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
14	Name:	United Way of Brazos Valley, Inc.	United Way of Brazos Valley, Inc. is requesting funding for the Financial Stability Innovation Fund, which provides grant funds, consistent training and best practice networking to case managers to enhance financial education methods in the Brazos Valley.
	Service Area:	Brazos, grimes, Washington, Robertson, Burleson, Madison and Leon Counties	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 15,000.00	
15	Name:	Wesley Mission Center	Wesley Mission Center is seeking funding in order to expand the financial coaching services, specifically by hiring an additional coach.
	Service Area:	Mansfield ISD (Tarrant, Johnson and Ellis Counties)	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
16	Name:	Catholic Charities, Archdiocese of San Antonio, Inc.	Catholic Charities is seeking funding to launch the pilot program of Your Money, Your Goals to promote financial literacy and independence to clients of all ages. The purpose of the program is to create pathways out of poverty by educating community members who struggle with basic financial concepts and transactions.
	Service Area:	Congressional Districts 20 and 35	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 36,143.00	
17	Name:	Family Service Association of San Antonio	Family Service Association of San Antonio seeks to increase economic opportunities for low-income individuals by providing one-on-one financial counseling/coaching; focusing on reducing debt, increasing credit scores, savings, banking and wealth building.
	Service Area:	Bexar and surrounding counties	
	Category:	Financial Coaching	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
18	Name:	Harris County Department of Education	Harris County Department of Education is requesting grant funding to provide training for high school math, social studies and career & Technical educators to teach them how to implement the Texas State Board of Education new high school Financial Mathematics course.
	Service Area:	Harris County	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 21,255.00	

19	Name:	Region One ESC.	Region One ESC is requesting grant funding to establish an expert Financial Literacy Cadre of educators utilizing a trainer-of-trainer's model, and expand the Financial Literacy Summit, a financial literacy and financial aid conference impacting students, parents and educators.
	Service Area:	Cameron, Hidalgo, Jim Hogg, Starr, Webb, Willacy and Zapata Counties	
	Category:	K-12 Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 39,852.00	
20	Name:	The Women's Resource of Greater Houston	The Women's Resource of Greater Houston is requesting grant funds to equip women and families in Houston with the financial knowledge, tools, skills, and support they need to make informed financial decisions and achieve financial stability.
	Service Area:	Greater Houston Area	
	Category:	Adult Financial Education & Capability	
	Grant Cycle:	2 years	
	Amount Requested:	\$ 40,000.00	
21	Name:	Women in Need of Generous Support (WiNGS)	Women in Need of Generous Support respectfully requests \$39,900 to support the Finance and Career program to help women become self-sufficient through financial education, coaching and work skills training. Funds will support one-on-one financial coaching.
	Service Area:	Dallas County	
	Category:	Financial Coaching	
	Grant Cycle:	1 year	
	Amount Requested:	\$ 39,900.00	